SUPREME COURT, U.S.
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REDACTED PUBLIC VERSION

No. 01-

IN THE

Supreme Court of the United States

FUJI PHOTO FILM CO., LTD.,

Cross-Petitioner,

v.

JAZZ PHOTO CORPORATION and
DYNATEC INTERNATIONAL, INC.,

Cross-Respondents.

ON CONDITIONAL CROSS-PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

CONDITIONAL CROSS-PETITION FOR A WRIT OF CERTIORARI

LAWRENCE ROSENTHAL
Counsel of Record
MATTHEW W. SIEGAL
LISA A. JAKOB
IAN G. DIBERNARDO
RICHARD ESKEW
STROOCK & STROOCK & LAVAN LLP
180 Maiden Lane
New York, NY 10038
(212) 806-5400
Attorneys for Cross-Petitioner

172653

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QUESTIONS PRESENTED FOR REVIEW

The issues presented for review in this Conditional Cross-Petition, which a Panel of the Federal Circuit erroneously decided in contravention of Supreme Court precedent, are:

(1) Is it proper to determine whether a product has been repaired or reconstructed by the accused infringer solely by comparing the extensiveness of the procedure used to "refurbish" the accused product with the procedures used to repair unrelated products found to be repaired in other cases, as opposed to first determining whether the product as a whole has become spent.

(2) Whether the sale of a product can prevent infringement of a process patent (under exhaustion or implied license theories), without proof that either (a) the product has no noninfringing uses or; (b) that the circumstances of the sale of the product plainly indicate that the grant of a license to practice the patented process should be inferred.

PARTIES TO THE PROCEEDING

In addition to the parties named in the caption, the U.S. International Trade Commission and Opticolor, Inc. are being served as additional Respondents. Grandway USA Corporation and GrandwayChina, Ltd. were named at various times as successors to the camera business of Petitioner Dynatec International, Inc., but have never been made parties to this proceeding.

RULE 29.6 CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 29.6 of the Rules of this Court, Respondent, Cross-Petitioner Fuji Photo Film Co., Ltd. states that it has no parent corporation and that no publicly held corporation owns 10% or more of its stock.

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Fuji Photo Film Co., Ltd. hereby conditionally cross petitions this Court to issue a Writ of *Certiorari* to the United States Court of Appeals for the Federal Circuit in this case.

JUDGMENT FOR WHICH REVIEW IS SOUGHT

The judgment for which review is sought is *Jazz Photo Corp. v. International Trade Commission*, 264 F.3d 1094 (Fed. Cir. 2001), which is reproduced in the Petition Appendix ("Pet. App.") at pages 1a-25a, along with the order of the Court of Appeals denying rehearing and rehearing en banc, which is unpublished and reproduced at Pet. App. 178a-179a. The General Exclusion Order and the Cease-and-Desist Orders of the International Trade Commission ("ITC") against Cross Respondents Jazz Photo Corporation ("Jazz") and Dynatec International, Inc. ("Dynatec") are unpublished and are reproduced at Pet. App. 160a-177a. The Commission Opinion of the ITC (public version) is unpublished and reproduced at Pet. App. 26a-52a.

The confidential version of relevant excerpts from the Final Initial and Recommended Determination ("ID") of the ITC Administrative Law Judge ("ALJ"), which the ITC adopted in pertinent part, is unpublished, and reproduced in the Cross Petition Appendix ("Cross Pet. App.") at 1a-180a. Cross Respondents submitted a redacted, public version of the ID, which omits relevant portions of the ID (including relevant Additional Findings) and is reproduced at Pet. App. 53a-159a.

A certified English translation of *Fuji Photo Film Co., Ltd. v. Batorii Nonnon Co., Ltd.*, Heisei 8 [1996] (Wa) No. 16,782 (Tokyo District Court, Civil Action No. 46 Dept., August 31, 2000) is reproduced at Cross Pet. App. 181a-237a.

Relevant sections of a report submitted by Fuji's expert in a related action between Fuji and Jazz in the United States District Court for New Jersey are reproduced at Cross Pet. App. 239a-259a.

STATEMENT OF JURISDICTION

The Court of Appeals for the Federal Circuit entered judgment on August 21, 2001, and denied rehearing and rehearing en banc on November 9, 2001. The Court has jurisdiction under 28 U.S.C. § 1254.

On February 11, 2002, the Court docketed Petitioners Jazz Photo Corporation and Dynatec International, Inc.'s Petition for Writ of *Certiorari*, Docket No. 01-1158. Respondent-Cross-Petitioner Fuji Photo Film Co., Ltd. hereby files this Conditional Cross-Petition for Writ of *Certiorari* pursuant to Rule 12.5 of the Rules of this Court.

STATUTORY PROVISIONS INVOLVED

The relevant statutory provisions are 35 U.S.C. § 271 (Pet. App. 196a-200a); 35 U.S.C. § 295 (Cross Pet. App. 238a; and 19 U.S.C. § 1337 (Pet. App. 180a-194a).

STATEMENT OF THE CASE

A. The Issues

1. The Federal Circuit determined that a hypothetical eight-step process for refurbishing lens-fitted film packages (LFFPs), also known as one-time use cameras and disposable cameras, constituted permissible repair, solely by comparing the eight-step process with procedures used to repair products

that had been the subject of prior cases, including naval gun mounts, truck clutches, canning machines and automobile convertible tops. The issue is whether this procedure, which has the practical consequence of eliminating reconstruction as a ground for infringement for products like one-time use cameras that are less complicated than the product referenced by the Federal Circuit, and essentially overrules more than 100 years of precedent, was proper or whether the Federal Circuit should have followed the precedents of this Court and of the Federal Circuit and first determined if the ALJ was correct in his factual determination that the empty one-time-use camera bodies, at issue, as a whole, had become spent?

2. The ITC had determined that Appellants' one-time-use cameras were refurbished using the assembly method of one of claims 1 or 9 of Fuji's process patent (U.S. Patent No. 4,972,649 (the " '649 patent")). The Federal Circuit ruled that the defense of permissible repair barred infringement of the process patent because the use of the patented process in the United States to assemble the original camera exhausted the patent right. Was this ruling correct, or should the Federal Circuit have followed its own precedent and the precedent of this Court and made a threshold inquiry as to:

(a) whether the empty camera body used in the assembly process had non-infringing use; or

(b) whether the circumstances of the first sale of the camera plainly indicated that the grant of a license to assemble should be inferred before finding permissible repair as to the process patent.

B. The Products At Issue

A lens-fitted film package (LFFP), also known as a one-time-use camera or a disposable camera, is an inexpensive, easy to use camera, which is preloaded with film in a unique manner. LFFPs are point-and-shoot cameras (flash or daylight) that are easy to use since they never require the loading of film by the user. Fuji was the first to develop commercially successful one-time-use cameras, and protected the novel features of its LFFPs and improvements thereto by the fifteen utility, process and design patents at issue in the ITC Investigation. Fuji licensed the patents to other camera manufacturers, including Kodak (worldwide) and Konica (United States only). LFFPs experienced immediate and extraordinary worldwide commercial success.

Of the fifteen United States patents covering LFFPs at issue before the ITC, the only method patent — United States Patent No. 4,972,649 for Photographic Film Package and Method of Making the Same (the " '649 Patent") — is directed to processes (methods) of assembling an LFFP.

The ALJ found that the LFFP assembling processes of Jazz and Dynatec, to the extent known or presumed under 35 U.S.C. § 295, infringe either claim 1 or claim 9 of the '649 patent. Cross Pet. App. 104a-115a, 238a. This finding was adopted by the ITC. The ITC's findings of infringement were not appealed. Only the ITC's findings that the '649 patent was neither invalid nor unenforceable was appealed, but the ITC was affirmed by the Federal Circuit as to those issues. Pet. App. 22a-24a.

Claim 1 of the '649 patent covers the LFFP assembly process where film is wound from a conventional film cartridge into a roll in a darkroom. Both the cartridge and roll are placed within an LFFP case on either side of the lens, with the film spanning the lens, and the case is closed so as to be light-tight. Cross Pet. App. 82a-91a.

Claim 9 covers the assembly process where a conventional film cartridge is placed within a plastic case positioned on one side of the lens with the leader of the film secured to a spool positioned on the other side of the lens. The case is then closed so as to be light-tight. Using a separate external member coupled to an exposed end of the spool, the film is unwound from the cartridge into a roll positioned around the spool. Cross Pet. App. 83a-91a.

As each picture is taken, the exposed film is wound back into the film cartridge. When all of the shots on the film are taken, all of the film contained in the LFFP will have been wound back into the film cartridge. The LFFP case is usually packaged in a cardboard inner wrapper or has labels adhered thereto, which carry trademarks, instructions for use and other information. The user, following instructions frequently appearing on the inner wrapper or label (but now well known to most users), brings the entire used LFFP to a photoprocessor to develop the film. The photoprocessor breaks open the plastic LFFP case and removes the film cartridge without the need to use a dark room. The cartridge is processed like any other conventional film cartridge. The user pays for the photoprocessing and receives back *only* the negatives and developed pictures. Having served their intended function, the empty shells are abandoned by the user to the photoprocessor. Consumers purchase one-time-use cameras and treat them as such. Cross Pet. App. 50a-53a.

Fuji and its licensees participate in a recycling program by which photoprocessors return empty bodies to the manufacturer. Neither Fuji nor Kodak can, nor do they, "reload" empty camera shells because of quality concerns, but instead salvage parts for reuse and recycle the balance. Cross Pet. App. 57a-61a. As the ALJ found, reloading empty camera shells creates inferior products. Cross Pet. App. 64a-79a.

Entities known as collectors buy the abandoned empty used camera bodies from the photoprocessors. Cross Pet. App. 62a. The user receives none of the proceeds of this sale. There is no evidence that such sales reduce photoprocessing costs or aid the environment. In effect, the collectors buy the empty abandoned shells as scrap. The collectors sell the shells to refurbishers, mainly in China, who create new LFFPs for resale by companies such as Cross-Respondents. "Refurbishing" is the neutral term adopted by the Federal Circuit to describe one-time-use cameras made from empty scrap camera shells. Neither the photoprocessor, nor the collector, nor the refurbisher, nor the Cross-Respondents are in privity with the first user/purchaser, nor are any of them "purchasers" eligible to take advantage of any right or implied license to refurbish. Cross Pet. App. 80a.

C. The Procedural History

In February 1998, Fuji filed a Complaint with the ITC asserting unfair competition in international trade by reason of patent infringement pursuant to 19 U.S.C. § 1337. The ITC initiated Investigation No. 337-TA-406 (entitled *In re Certain Lens-Fitted Film Packages*) against 27 named Respondents, including Jazz. Fuji named fifteen patents asserted against nine styles of refurbished LFFPs and several styles of newly made LFFPs. After extensive discovery,

motion practice, an eleven-day Hearing, extensive post-Hearing filings and oral argument, the ALJ rendered a 351-page ID finding that 26 of the Respondents (including Jazz and Dynatec) had infringed one or more claims of one or more of the eleven utility patents at issue and that all 26 had infringed one or more claims of the '649 process patent. The remaining three patents were design patents found by the ALJ not to be infringed, a decision reversed by the Commission. Pet. App. 32a-36a. The ALJ found that the refurbished LFFPs were remanufactured and not entitled to the permissible repair defense. On June 2, 1999, the ITC adopted the ALJ's determinations with certain modifications not pertinent here, aside from a change in the burden of proof of the ITC Respondents on the permitted repair defense from "clear and convincing" to a "preponderance of the evidence," which the ITC found not to affect the ALJ's ruling, in part, because of the failure of the Respondents to allow Fuji to inspect their refurbishing facilities. Pet. App. 31a-32a. The ITC issued Cease and Desist Orders specifically prohibiting Jazz, Dynatec and other domestic Respondents from importing, selling or otherwise dealing with the imported infringing LFFPs, as well as a General Exclusion Order barring importation by anyone into the United States of infringing LFFPs. Pet. App. 164a-179a.

Jazz, Dynatec and another Respondent appealed the Orders of the ITC to the Federal Circuit, only as to the repair v. reconstruction issue (i.e., the affirmative defense of permissible repair) and the validity and enforceability of the '649 process patent, but not as to infringement of the '649 process patent aside from the permissible repair defense. The Orders of the ITC became final as to all other issues, and as to all of the other Respondents as to all issues, upon the expiration of the Presidential review period (August 2,

1999) (19 U.S.C. § 1337(j)). Fuji, as Complainant before the ITC, was granted leave to intervene before the Federal Circuit.

In its opinion, the Federal Circuit affirmed in part and reversed in part the ITC's Orders, lifted the stays and remanded the matter to the ITC for further consideration regarding a motion Fuji had filed seeking clarification and enforcement of one of the stay orders issued by the Federal Circuit as to Dynatec. The Federal Circuit approved the ITC's findings that the '649 process patent was valid and enforceable.

The partial reversal related solely to the repair versus reconstruction issue. Specifically, the Federal Circuit defined a set of circumstances that, in its judgment, would not amount to infringing reconstruction, namely refurbishing using: (1) *only* the eight steps set out in the opinion and (2) using *only* shells from LFFPs which had first been sold in the United States. Pet. App. 14a-15a, 21a-22a. The ALJ had found that all of the ITC Respondents refurbished LFFPs were made by *at least* eight enumerated steps, but made no finding that any LFFP at issue was actually made by *only* the eight steps. The Federal Circuit affirmed the ITC's Orders as to all other refurbishing processes. However, the Federal Circuit went on to find that its partial reversal, including the eight step/ U.S. shell "safe harbor", did not apply to those Respondents, such as Jazz, Dynatec, or their suppliers, which failed to cooperate with the ITC Investigation by failing to provide adequate discovery of their refurbishing processes — for those Respondents, the ITC Order remained in effect. Pet. App. 22a, 25a.

Appellants and Fuji each filed petitions for rehearing and rehearing *en banc* on different aspects of the Federal Circuits' opinion. Appellants presented the same issue in their petitions to the Federal Circuit as Petitioners present to this Court in their Petition — whether sales of LFFPs outside the United States, without authorization (actual or implied) of the United States patent owner to sell such LFFPs in the United States, exhausted the United States patent rights covering the LFFPs. If such patent rights were exhausted, Petitioners' refurbishing of used empty camera bodies from LFFPs not first sold in the United States would be deemed repair and therefore not infringement. Fuji, in its petition, raised the issues presented herein.

SUMMARY OF ARGUMENT

The Federal Circuit reversed, in part, the Orders of the ITC as they relate, in particular, to the "repair v. reconstruction" issue (but not as to Respondents and their suppliers which had cooperated to reveal their refurbishing processes, and only as to empty camera bodies from LFFPs first sold in the United States). Pet. App. 3a, 25a. In so doing, the Federal Circuit overlooked or misapprehended the following points of law and fact resulting in a conflict with the precedents of this Court and of the Federal Circuit:

1. The Federal Circuit misapprehended the legal standard set forth by this Court for resolving the repair verses reconstruction issue by ignoring the test established by this Court in *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961) ("*Aro I*"), and previously followed by this Court and the Federal Circuit. Specifically, the Federal Circuit improperly compared the complexity of the procedure used to refurbish the LFFPs at issue with that of procedures

used to repair unrelated products as reported in other decisions, namely the automobile convertible tops of *Aro I*, the canning machines of *Wilbur-Ellis Co. v. Kuther*, 377 U.S. 422 (1964), the naval gun mounts of *General Electric Co. v. United States*, 572 F.2d 745 (Ct. Cl. 1978), and the truck clutches of *Dana Corp. v. American Precision Co.*, 827 F.2d 755 (Fed. Cir. 1987), instead of determining if the used LFFPs were "spent," and improperly overlooked the ITC's factual finding that LFFPs were "spent" after first use.

2. The Federal Circuit also misapplied the legal standard for the applicability of the permitted repair defense to process patent infringement set forth in *United States v. Univis Lens Co.*, 316 U.S. 241 (1942), and other precedents of this Court and the Federal Circuit, including *Glass Equip. Dev., Inc. v. Besten, Inc.*, 174 F.3d 1337 (Fed. Cir. 1999), and *Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903 (Fed Cir. 1984), and overlooked the absence of proof that practice of any of the processes of the '649 patent were *necessary* to obtain full enjoyment of the empty camera bodies (i.e. that there were no non-infringing uses for the empty camera bodies), and improperly overlooked the ITC's factual finding that purchasers of LFFPs do not contemplate refurbishing.

For the above reasons, in the event the Court grants the Petition of Jazz and Dynatec, the Court should also grant Fuji's Conditional Cross-Petition.

ARGUMENT

I. The Court Misapprehended The Law Regarding The Test For Permissible Repair By Comparing The Procedures Used To Refurbish Used, Empty Camera Bodies To The Procedures Performed By Third Parties On Unspent Unrelated Products

The Federal Circuit's decision effectively overruled over 100 years of precedent, by holding that a determination of whether used, empty camera bodies are repaired or reconstructed does not depend on whether those empty camera bodies were "spent", but rather, can be made by comparing the procedures used to "refurbish" the empty camera bodies to the procedures performed by third parties on ***unspent***, unrelated products. The Federal Circuit improperly defined permitted repair of LFFPs as consisting of, *inter alia*, eight enumerated steps, on the ground that the eight steps were not as extensive as the repairs performed on, for example, admittedly **unspent** truck clutches, when it held:

> "Reconstruction," precedent shows, requires a more extensive rebuilding of the patented entity than is exemplified in *Aro Manufacturing*, *Wilbur-Ellis*, *General Electric*, and *Dana Corp.*

Pet. App. 13a.

While the Federal Circuit has consistently ruled that there is no bright line of repair, (*see FMC Corp. v. Up-Right*, 21 F.3d 1073, 1078-79 (Fed. Cir. 1994); *Sandvik Aktiebolag v. E.J. Co.*, 121 F.3d 669, 673 (Fed. Cir. 1997) and *Hewlett-Packard v. Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445,

1452 Fed. Cir. 1997), in effect, in this case the Federal Circuit has, for the first time, established a bright line of repair, a line so bright as to effectively overrule every case that has ever found reconstruction. Thus, by way of example, the accused activities in *American Cotton-Tie Co. v. Simmons*, 106 U.S. 89 (1882) and *Sandvik*, which were found to constitute reconstruction, are much less extensive than those of *Dana*, or *General Electric*, *Aro I* or *Wilbur-Ellis*, which were found to constitute repair.

The Supreme Court, in *Aro I* summarized the law on the repair v. reconstruction distinction as follows:

> The decisions of this Court require the conclusion that reconstruction of a patented entity, comprised of unpatented elements, is limited to such a true reconstruction of the entity as to "in fact make a new article," United States v. Aluminum Co. of America, supra, 148 F.2d at page 425, **after the entity, viewed as a whole, has become spent.** In order to call the monopoly, conferred by the patent grant, into play for a second time, it must, indeed, be a second creation of the patented entity, as, for example, in American Cotton Tie Co. v. Simmons, supra. Mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property.

Id. at 346 (emphasis added). Thus, the Court found that a prerequisite to a finding of permitted repair of a product is that that product must have first become "spent", so that the reconstruction becomes "a second creation" of the patented product. *Id.*

There is no hint in *Aro I* that the case was decided based on the complexity of making or replacing the automobile convertible top. In any event, there is no legal or factual basis for ruling that LFFPs are repaired merely by comparing them to the complexity of the replacement of canvas convertible tops, or to the repair of truck clutches, canning machines or naval gun mounts.

In *Dana Corp.*, the patentee **conceded** that the truck clutches at issue were *not* **spent**. 827 F.2d at 757. It conceded that the activities undertaken to refurbish broken truck clutches was permissible repair when done by the "custom" rebuilders or even the "production" rebuilders provided they were performed in a certain way:

> On appeal, as before the district court, . . . Dana does not contend that production rebuilding using only binned parts from used clutches amounts to direct infringement. . . . **Dana concedes that if a repair & return rebuilder had used the same new parts and returned each individual clutch to its owner there would be no infringement.**

827 F.2d at 757. (Footnote omitted) (Emphasis added). "In view of Dana's concessions [that the clutches are not spent], we hold that [there is no] genuine issue of material fact. . . ." *Id.* at 759. Thus, the Court based its holding on the ground "that the use of the production-line method cannot convert what Dana concedes is permissible repair to impermissible reconstruction." *Id.* Accordingly, it is clear that because Dana conceded that the clutches were not spent, any activities to refurbish the clutches was permissible repair.

In *Wilbur-Ellis*, the holding was for repair, not because the refurbishing activities were insufficiently extensive, but because the machines as a whole were not spent.

> **These four machines were not spent; they had years of usefulness remaining though they needed cleaning and repair.** Had they been renovated and put to use on the "1-pound" cans [the original construction], there could be no question but that they were "repaired," not "reconstructed," within the meaning of the cases.

377 U.S. at 424. (Emphasis added). That said, adapting the machines to work with differently-sized cans did not convert the unspent machines into spent machines. Rather, changing the can sizes came under the expansive range of activities a purchaser can perform on the unspent item he purchased.

General Electric was also *not* based on a finding that the refurbishing activities were not sufficiently extensive to support a holding of reconstruction. Rather, the Court found the "old gun mounts . . . were no more completely 'spent', as a whole, than the fish-canning machines in Wilbur-Ellis." 572 F.2d at 785 (citation omitted). Unlike the instant case, the Government only used parts it had purchased from General Electric to refurbish the gun mounts. Thus, the Court found that by selling the Government all the parts in question, General Electric implicitly authorized the Government to use those parts, whether as a single combination or as spare parts, to repair other gun mounts originally purchased from General Electric.[1] *Id.* at 784.

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1. Furthermore, because the Government was authorized to use the parts in any reasonable manner, General Electric could not complain when the parts were mixed and matched to refurbish the gun mounts. 572 F.2d at 785.

On the other hand, in *Cotton-Tie* (cited in *Aro I* as the *only* example of "spent" (365 U.S. at 346)), the patented ties were purchased with a single use in mind and the ties were abandoned at the cotton-mill where they were cut and sold for scrap.

> The band was voluntarily severed by the consumer at the cotton-mill because **the tie had performed its function** of confining the bale of cotton in its transit from the plantation or the press to the mill. **Its capacity for use as a tie was voluntarily destroyed. As it left the bale it could not be used again as a tie. As a tie the defendants reconstructed it, although they used the old buckle without repairing that.** The case is not like putting new cutters into a planning-machine. . . .

Cotton-Tie, 106 U.S. at 94 (emphasis added) (citations omitted). The ties had served their intended useful life and fulfilled the original purchaser's expectations and were therefore spent. *Id.* The patent claim had only two elements, the unchanged buckle and the band, yet welding together the cut pieces of belt was reconstruction because the tie had performed its intended function and was spent.

The "refurbishing" steps in *Cotton-Tie* (welding lengths of band together and using with unchanged buckle) were clearly less extensive than the $100,000 refurbishing activity for naval gun mounts in *General Electric*, or the production line refurbishing activity for truck clutches in *Dana Corp.*, or even the replacement of the flexible fabric cover of the automobile convertible tops of *Aro I* and the rebuilding of the canning machines of *Wilbur-Ellis*, but nonetheless were

an infringement because they were performed on a spent product, the cut cotton tie.[2]

This is confirmed by a consideration of *Sandvik*, where the Court found reconstruction after the replacement of only a single part (the tip of the drill — one of the two parts recited in the patent claim), which was understood to wear out well before the remainder of the drill. In *Sandvik*, the alleged infringers admitted that the drills as a whole were *spent*.

> The parties agree that when the tip is damaged (i.e. chipped, cracked or sufficiently worn down so that it cannot be resharpened), **the drill has reached the end of its useful life** unless it is retipped.

121 F.3d at 671 (emphasis added). Therefore, even replacing one part of the patented combination led to infringing reconstruction because the drill, having admittedly reached the end of its useful life, was admittedly spent. *Id.*

In *Hewlett-Packard*, the ink cartridges could not be spent because they were brand new. *Hewlett-Packard*, 123 F.3d at 1452.

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2. In *Cotton-Tie*, the Supreme Court mentioned the notation on the product "licensed to use once only" in passing, but did not find that it represented a binding agreement. 106 U.S. at 91. In fact, this notation was not discussed at all in the holding, which focused on whether the tie had served its intended function. *Id.* at 94-95. Thus, the single use notation could only have been significant as evidence (not dispositive evidence, but relevant evidence) of the useful life of the product in the mind of the seller. That the purchaser abandoned the ties, just as users of LFFPs abandon the empty camera bodies to the photoprocessor, shows that the purchaser also considered a single use to be the useful life of the ties.

Precedent dictates that the repair verses reconstruction distinction turns on whether the original product, as a whole, "has been spent", not on whether the refurbishing process is less or more extensive than processes followed in other selected cases. *cf. Hewlett-Packard* at 1451 ("The authority to use and sell a purchased device, however, does not include the right to . . . reconstruct one which has been spent."); *Dana Corp.*, 827 F.2d 755, 759 ("A rebuilder of a 'spent' clutch would have to be 'recreating' the clutch and conversely, a rebuilder of a clutch that is not spent could not be recreating the clutch.").

The rule dictated by precedent, but not followed by the Federal Circuit in this case, follows from the fact that the so-called "right of repair" is premised on an implied license that a purchaser acquires with the product to use the product purchased for its useful life. *Sandvik*, 121 F.3d 669, 672; *Hewlett-Packard*, 123 F.3d at 1451.

One of the causes for the Federal Circuit's error was that the Panel (followed by the panel in *Surfco Hawaii v. Fin Control Sys. Pty., Ltd.*, 264 F.3d 1062 (Fed. Cir. 2001)), treated the permissible repair defense as being based solely on patent exhaustion and not on implied license. Pet. App. 14a. On the other hand, the clear language of the two Federal Circuit "precedents" immediately preceding *Jazz* (*Sandvik* and *Hewlett Packard*) (and most of the other repair verses reconstruction cases of this Court), treat the permissible repair defense as an issue of whether or not an implied license to repair can be inferred under the circumstances. *E.g.*, *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 484 (1964) ("*Aro II*") ("[I]t is fundamental that sale of a patented article by the patentee or under his authority carries with it 'an implied license to use'").

The difference is not mere semantics. "Exhaustion" suggests an absolute, bright-line rule (*cf. Univis*, 316 U.S. at 249), while "implied license" suggests a rule requiring careful consideration of the facts and circumstances surrounding the accused infringer's conduct. It is submitted that all of the precedential cases in this Court and the Federal Circuit (prior to the present decision) carefully considered the facts and circumstances in a manner consistent with an "implied license" analysis. Here, an "implied license" analysis, such as that performed by the ALJ, following the then latest Federal Circuit teaching in *Sandvik*, leads to a finding that the LFFP is spent, so that the "eight steps" do not suggest repair of an LFFP.

Making a spent product work again is a reconstruction. *See Dana Corp.*, 827 F.2d at 759. On the other hand, if the product is not spent, making it work again is repair. *Id.* Accordingly, while the complexity or extent of the refurbishing activities are undoubtedly relevant to a determination of whether or not a product is spent, where the spent condition of the product is at issue, no court until this case has limited its inquiry to a comparison of the complexity of the processes of certain cases and has found such complexity to be dispositive. No court has made a finding of repair on the sole ground that the refurbishing activities did not reach some pre-established level of complexity. Rather, it is clear that each case is to be decided in view of its own facts and circumstances. *FMC*, 21 F.3d at 1078-79. Note that in *FMC*, the finding of repair was not based on insufficient complexity, but on the patentee's concession that "each individual instance involving the replacement of one or more parts constituted required repair as opposed to reconstruction." *Id.* at 1077. Thus, the patent owner had admitted that the product was not spent.

Accordingly, by focusing on whether or not the goods are spent, as opposed to determining the result solely on the nature of the refurbishing activities, the single step in *Cotton-Tie* of welding cut pieces of band and in *Sandvik* of replacing a worn drill tip result in reconstruction, whereas breaking truck clutches and mount gun mounts down into individual parts and then rebuilding them with mixed and matched parts is permissible repair.

In direct contrast to *Dana Corp.*, Fuji has never conceded that the LFFPs in issue were not spent. Similarly, in direct contrast to *General Electric*, Fuji does not sell parts for refurbishment. And, lastly, unlike *Aro I* and *Wilbur-Ellis*, the ITC found as fact that "the useful life of the original LFFP had been spent." Pet. App. 15a; Cross Pet. App. 64a-65a, 79a.

On the other hand, as in *Cotton-Tie*, the patented LFFPs are purchased with a single-use in mind, perform that intended use, and are then abandoned to the photoprocessor, who, the ITC found, voluntarily destroy the used LFFPs to gain access to the film cartridge. Cross App. Pet. 50a-53a. As the used, empty LFFP shells left the photoprocessor they could not be used again as LFFPs until the refurbishers reconstructed them, even though, as in *Cotton-Tie*, 106 U.S. at 94, they used some of the old parts without repairing them.

That the Federal Circuit chose the eight steps as defining repair in this case was particularly inexplicable. There was no finding below that performance of only the eight steps enumerated in the Panel's decision could make an LFFP work again. The ALJ had merely found that all of the Respondents' refurbished LFFPs were made by *at least* eight enumerated steps (Cross Pet. App. 11a-12a), but made no finding that any LFFP at issue was actually made by only *eight* steps. Cross Pet. App. 10a-45a.

It is submitted that the instant case lies four square within the ruling in *Cotton-Tie*. As in the case of the band and buckle of *Cotton-Tie*, the empty camera bodies have fulfilled the original purchaser's expectations and were therefore spent. These empty camera bodies had to be broken into to remove the film cartridge (*compare* cut band of *Cotton-Tie*). The empty camera bodies were sold for scrap, like the parts in *Cotton-Tie*. The refurbisher recreates a new LFFP, using some parts without repair (e.g., flash unit and lens), just as was the case in *Cotton-Tie* where half the combination, the buckle, is left unchanged. If, as indicated in *Aro I*, *Cotton-Tie* is the *sine qua non* of reconstruction, the refurbishing of LFFPs must be reconstruction, whether performed by eight steps or fifty steps.

Accordingly, Fuji submits that the Federal Circuit misapprehended the legal standard set forth by this Court for determining the repair v. reconstruction issue by improperly comparing the complexity of the procedure used to refurbish the LFFPs at issue with procedures used to repair unrelated products, and overlooked the ITC's factual finding that LFFPs are "spent" after first use.

II. The Federal Circuit Failed To Follow Supreme Court And Federal Circuit Precedent In Applying The Permissible Repair Defense To The Patented Method Of Making LFFPS

The Federal Circuit ruled that the repair versus reconstruction doctrine applies to the claims of the '649 Patent, which is directed to processes (methods) of assembling LFFPs, including the steps of loading film in the LFFP. Specifically, the Federal Circuit stated that:

> The defense of repair is applicable to process claims, as well as to apparatus claims, when the patented process was used in the United States and the patent right has been exhausted for the articles produced thereby. *Cf. Hewlett-Packard*, 123 F.3d at 1455, 43 USPQ2d at 1659 ("When a patentee sells a device without condition, it parts with the right to enforce any patent that the parties might reasonably have contemplated would interfere with use of the purchased device.") Thus when the same process was used, the patent right for that process was exhausted upon the LFFP's first sale in the United States. Again, however, for respondents who refused to provide evidence to show the methods they were practicing, we have no basis on which to reverse the Commission's judgment.

Pet. App. 21a.

The Federal Circuit appears to have ruled that rights in a patent claiming a method are always exhausted merely upon the sale of a product made by that method in the United States. There is no support for this rule in any of the precedents of this Court and, in fact, this rule is inconsistent with the precedents of the Federal Circuit.

A. Finding an Implied License to Use a Method Patent Based on the Sale of a Product Requires That: (1) the Circumstances Surrounding the Sale Give Rise to an Implied License and (2) the Accused Infringer Proves the Products Have No Noninfringing Uses.

Glass Equipment and *Bandag*, the pertinent Federal Circuit precedents, hold that the first sale doctrine (and therefore exhaustion) does not apply to a method of use or making patent where the patentee sells the product made by the method or a product which uses the method. *See Glass Equipment*, 174 F.3d 1337, 1342 n.1; *Bandag*, 750 F.2d 903, 924. Rather, in order to find that the sale of a product by the patent owner excuses infringement of a method patent, these cases and all of the precedents of this Court, as discussed below, require the Court to determine that: (1) an implied in fact license to practice the method arose from the circumstances of the sale of the product; and (2) the accused infringer has proved that the product sold has no noninfringing uses. *Met-Coil Sys. Corp. v. Korners Unlimited, Inc.*, 803 F.2d 684, 686-87 (Fed. Cir. 1986).

Hewlett-Packard also stands for this test for finding an implied license in fact and, although cited by the Federal Circuit, was not itself followed by the Federal Circuit. In *Hewlett-Packard*, the patent at issue, U.S. Patent No.

4,771,295 (the " '295 patent"), included both method claims and apparatus claims directed to an ink cartridge for use in an ink jet printer. A consideration of the '295 patent reveals that the method claims are directed to a process for "feeding ink to an inkjet printhead", a normal intended use, and in fact the only use, of the ink cartridge at issue. 123 F.3d at 1455. The *Hewlett Packard* court relied on the fact that the '295 patent included apparatus claims (not the case here) and on the rule stated in *United States v. Univis Lens Co.*, 316 U.S. 241, 249 (1942), that "upon familiar principles the authorized sale of an article which is capable of use only in practicing the patent is a relinquishment of the patent monopoly with respect to the article sold." *Hewlett-Packard*, 123 F.3d at 1455. The *Hewlett-Packard* court found that the use of the ink cartridges "necessarily infringe[d] the asserted process claims", i.e., had no noninfringing use. *Id.*

In *Univis*, this Court found that sale of a lens blank intended by the parties to the sale to be for use in making a lens, is "a license to practice the final stage of the patent procedure." *Univis*, 316 U.S. at 249.

Before the instant case, the Federal Circuit had consistently applied *Univis* and its progeny to make findings of infringement or noninfringement of method patents owned by the seller of an apparatus capable of use in practicing the method, the finding depending, in part, on whether or not there are noninfringing uses of the apparatus. *See, e.g.*, *Met-Coil*, 803 F.2d at 686-87 (noninfringement of and implied license under method patent where no noninfringing uses of apparatus sold by patentee and the facts and circumstances of the sale indicated that the grant of an implied license was intended by the parties).

In *Bandag*, plaintiff sued defendant for infringement of a patent covering the method of making retreaded tires. Defendant argued that the sale of the equipment exhausted rights in the method patent. In other words, defendant argued that it had an implied license to use the method based on its purchase from plaintiff's franchisee of retreading equipment used in the patented method. The court rejected the defendant's argument of exhaustion.

> The doctrine that the first sale by a patentee of an article embodying his invention exhausts his patent rights in that article, is inapplicable here, because the claims of the [patent-in-suit] are directed to a "method of retreading" and cannot read on the equipment [defendant] used in its [retreading process].

Bandag, 750 F.2d at 924. Addressing each of the two-part implied license test, *supra*, the court continued by determining that "no license can be implied, where as here, the equipment involved has other noninfringing uses, even if only as replacement parts," (*id.*) and that the circumstances surrounding the transaction (namely, defendant's unilateral hopes or expectations) failed to suggest an implied license. *Id.* at 925-26.

The Federal Circuit similarly found no exhaustion of a method patent in *Glass Equipment*. Focusing on the existence of noninfringing uses of the product sold in finding no implied license, the court emphasized that noninfringing uses sufficient to preclude a finding of an implied license need not be a "commercially viable" use. Instead, only mere reasonable use is enough to negate a finding of implied license. *Glass Equipment*, 174 F.3d at 1342-43.

As noted above, in this case, the Federal Circuit quoted from *Hewlett-Packard* the rule that "[w]hen a patentee sells a device without condition, it parts with the right to enforce any patent *that the parties might reasonably have contemplated* would interfere with the use of the purchased device." Pet. App. 21a. (Emphasis added). The concept of the reasonable contemplation of the parties to the first sale is part of the test for the existence on an implied license in fact, but the Federal Circuit made no such analysis in the context of LFFPs in this case. In fact, not only does the reasonable contemplation of parties dictate whether an implied license exists, but also its terms. *Carborundum Co. v. Molten Metal Equip. Innovations, Inc.*, 72 F.3d 872 (Fed. Cir. 1995) (infringement because scope of implied license to an apparatus patent arising from the sale of a component of the patented apparatus having no noninfringing use does not extend to replacement of that component).

The ALJ, whose findings were adopted by the ITC, made findings of fact supporting a conclusion of no implied license in fact, including that: (a) Fuji intended that the cameras be constructed to be limited to a single use (a point conceded by respondents) Cross Pet. App. 47a-48a, 53a, 56a-57a; and (b) the typical user uses the camera by exposing the role of film and then brings the entire camera to the photoprocessor and does not receive back the empty camera body, so that such typical user has no need, desire or expectation to replace the film, cardboard cover or battery. Cross Pet. App. 52a-56a. The ITC made no finding of fact to the contrary.

In the instant case, the record is replete with evidence of a substantial noninfringing use of empty camera bodies. Both Fuji and Kodak recycle empty camera bodies, reusing some parts in new LFFPs after suitable testing. Cross Pet.

App. 57a-61a. Under the circumstances, the *Glass Equipment/Bandag* test is not met and a finding of an implied license (or exhaustion) is not permitted on the facts in this case, as a matter of law. Not only has the Federal Circuit applied the wrong test, it has produced the wrong result.

Petitioners have pointed to the discussion of the Federal Circuit at Pet. App. 18a-20a, in the section titled "License", as showing that the Federal Circuit considered and rejected the implied license theory. On the contrary, that discussion turned on the absence of an enforceable restriction evidenced by a "meeting of the minds." None of the progeny of *Univis* discussed above turned on, or even found, an enforceable restriction evidenced by a "meeting of the minds" at the time of the initial sale of the apparatus. In the *Univis* cases the inquiry is directed to whether or not there is an *implied*, not an actual, license. In the discussion in the "License" section of the decision, the emphasis is on an actual license, not an implied license. It is submitted that this discussion applies only to the Federal Circuit's exhaustion theory for resolving repair verses reconstruction issues for product patents and not to the process patent.

The Federal Circuit erred in looking only for an enforceable contract, and ignoring the existence of an implied license which, coupled with the noninfringing uses of empty camera bodies, dictates a finding that Fuji's rights in the '649 patent were not exhausted by the sale of its LFFPs.

CONCLUSION

For all of the above reasons, in the event this Court grants Jazz and Dynatec's Petition for Writ of *Certiorari*, this Court should also grant Fuji's Conditional Cross-Petition for Writ of *Certiorari*.

Respectfully submitted,

LAWRENCE ROSENTHAL
Counsel of Record
MATTHEW W. SIEGAL
LISA A. JAKOB
IAN G. DIBERNARDO
RICHARD ESKEW
STROOCK & STROOCK & LAVAN LLP
180 Maiden Lane
New York, NY 10038
(212) 806-5400
Attorneys for Cross-Petitioner

APPENDIX

APPENDIX A — EXCERPTS OF THE FINAL INITIAL AND RECOMMENDED DETERMINATIONS OF THE UNITED STATES INTERNATIONAL TRADE COMMISSION DATED FEBRUARY 24, 1999

UNITED STATES INTERNATIONAL TRADE COMMISSION
Washington, D.C.

Investigation No. 337-TA-406

In the Matter of

CERTAIN LENS-FITTED FILM PACKAGES

* * *

A. The *Sandvik* Factors

1. The Nature Of The Actions By The Infringers

In each of *Hewlett* and *Sandvik*, pertinent to the conclusions of the Court was the claimed subject matter in issue *and* the nature of the actions of the accused infringers. In the repair-reconstruction portion of *Hewlett*, the Court focused on U.S. Patent Nos. 4,827,294 (the '294 patent) and 4,931,811 (the '811 patent). The '294 patent, entitled "Thermal Ink Jet Printhead Assembly Employing Beam Lead Interconnect Circuit," was directed to an "ink jet pen" (*i.e.*, a cartridge), which formed an improved electrical connection between the printhead of the pen and the ink jet printer carriage in which the pen is mounted.

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Claim 3 of the '294 patent, which was representative, read as follows:

> An ink jet pen including in combination:
>
> (a) a pen body housing having an ink storage compartment therein and an ink flow port adjacent one surface thereof and further having outer surfaces thereof and further having out surfaces which are contoured to mate with adjacent surfaces of a pen carriage member,
>
> (b) a thin film printhead mounted on said one surface of said pen body housing and adjacent to said ink flow port therein for receiving ink from said ink flow port during an ink jet printing operating, and
>
> (c) a flexible electrical circuit member including a plurality of beam leads bonded at predetermined locations on said thin film printhead for supplying electrical power and signals thereto during an ink jet printing operation, said flexible electrical circuit being extended over one of said contoured outer surfaces of said pen body housing and secured thereto, whereby electrical conductors in a pen carriage are adapted to mate with certain ones of the said been leads of said flexible electrical circuit for supplying power and electrical drive signals to said beam leads when said pen body housing is mounted in said carriage.

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The '811 patent, entitled "Thermal Ink Jet Pen Having A Feedtube With Improved Sizing And Operational With A Minimum Of Depriming," was directed to an " ink jet pen" that uses a "standpipe" to improve the connection between the ink reservoir and the printhead by preventing air bubbles from impeding the flow of ink to the printhead.[37] Claim 2 of the '811 patent, which was representative, read as follows:

> 2. A thermal ink jet pen including an ink reservoir therein, and a thin film printhead interconnected to said reservoir by way of a standpipe, with said standpipe having an air accumulating section at the ink receiving end thereof and said thin film printhead including an orifice plate with a plurality of orifi therein of a know radius, r subnozzle characterized in that the minimum acceptable radius, r, of said air accumulating section of said standpipe satisfies the equation r/r/ subnozzle $100.

Hewlett, 123 F.3d at 1447, 1448. The Court, for interpretation of claim 3 of the '294 patent and claim 2 of the '811 patent, made reference to the following diagram, from the '811 patent:

{REDACTED}

37. The presence of the standpipe differentiates the claimed invention of the '811 patent over the claimed invention of the '294 patent.

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The Court then stated that as illustrated in the above diagram the pen body construction includes a pen body housing (10) and a cap (28); that the pen body also includes a foam storage material (12) which serves as the ink reservoir, a standpipe formed by walls (20) and (22), and a printhead (18); and that the cap (28) has an air vent tube (30) for supplying air to the ink reservoir as ink is transferred through the standpipe to the printhead. 123 F.3d at 1448.

In *Hewlett*, ROT described its cartridge modification in its own patent, U.S. Patent 5,408,256 ('256 patent), entitled "Refillable Color Ink Jet Cartridge And Methods For Making Said Cartridge:"

> A non-refillable color ink jet cartridge such as the Hewlett-Packard #51625A can be converted into a refillable cartridge. The upper portion of this cartridge contains the three air vent/ink has refill holes, and this upper portion has a plastic cap capable of being removed. After placing the body of the plastic cartridge on a suitable support such as, for example, the edge of a table, the protective plastic cap covering the upper portion of the cartridge can be removed by prying it off of a cartridge with a sharp instrument such as a knife.

{REDACTED}

Appendix A

. . .

> The upper protective cap [26] can now be modified so that it can be placed snugly back onto the main cartridge body [12] as often as is necessary to replenish depleted ink supplies. A variety of methods can be employed to do this, including placing two adhesive backed pads [36 and 38] at both sides of the longitudinal length of the upper protective cap.

'256 Patent, col. 1, line 56 to col. 2, line 18. ROT sold the modified refillable ink jet cartridges in kits which also contained bottles of refillable ink. The refillable ink was not manufactured or supplied by HP. In addition to modifying the cartridges, ROT replaced the black ink of HP's Stanley cartridges with a variety of color inks and resold them as color cartridges. 123 F.3d at 1449.

Referring to ROT's modification, and as seen by the '256 patent, ROT first removed the cap 28 with a sharp instrument such as a knife and then, when HP Stanley cartridges were bought, replaced the black ink of the cartridges.[38] Thereafter

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38. The Court pointed out that while the cap was not explicitly recited in the claims in issue of the '294 and '811 patents it agreed with HP that the claims relate to ink jet cartridges, not to specific components within the cartridges; that the preamble of claim 3 of the '294 patent and claim 2 of the '811 patent clearly stated that the claims relates to an "ink jet pen including" the recited limitations; that the claim term "including" is synonymous with "comprising", thereby permitting the inclusion of unnamed components *Hewlett* 123 F.3d at 1450, 1451. However the Court later stated that "ROT does not replace any of the elements recited in the claims; the housing, printhead, standpipe, ink reservoir, and flexible strip are all original components of the purchased cartridges" and that "[u]sing the original housing, ROT only changes the way in which the cap of an unused, new cartridge is connected to the remainder of the cartridge" *Id.*

ROT modified cap 28 so that it could be placed snugly back onto the new cartridge as necessary, *i.e.*, the cap was made removable and replaceable so that the new cartridge could be refilled with ink numerous times.[39] [40] Significantly in matching ROT's accused process, which the Court found to be akin to permissible repair rather than to impermissible reconstruction, to the claims in issue of the '294 patent and the '811 patent, ROT did not replace any elements specifically recited in the claims in issue.[41] Moreover in *Hewlett* ROT was the *original* purchaser of a *new* cartridge.

In *Sandvik*, the patents in suit were directed to a drill with a shank portion and a unique carbide tip geometry that had specially configured cutting edges which resulted in a drill suitable for high-feed machining with improved cutting ability especially at its center portion, although the unique carbide drill tip was not separately patented. In issue in *Sandvik* was U.S. Patent No. 4,222,690 (the '690 patent) (ALJ Ex. 1) and U.S. Patent No. 4,381,162 (the '162 patent). Claim 1 of the '690 patent provided:

> A drill comprising a pair of cutting edges each starting at the center of rotation of the drill and extending symmetrically with respect to said center and curved outwardly away from the direction of rotation of the drill with a greater curvature in the radial inner portion than in the

39. While ROT may refill the ink reservoir with ink, the ink is not recited in the claims in issue.

40. ROT in its '256 patent taught that a variety of methods can be employed to modify the cap of the new cartridge.

41. See fn. 38, *supra*.

> outer peripheral portion of the drill when viewed from the bottom of the drill, each of the cutting edges being formed with a rake face starting at said center of rotation and having a rake angle approximately equal to zero at the radial inner portion of said rake face, said drill having formed in said twister groovers close to said starting end of each of the cutting edges to provide an increase in rake face at the inner radial portion of the cutting edge in the vicinity of said starting end of said cutting edge.

The '162 patent, a division of the '690 patent, described and claimed similar subject matter. For example, claim 1 of the '162 patent claimed a method of drilling a bore using a drill having "helical grooves and a pair of cutting edges having a rake face." *Sandvik* 121 F.3d at 670.

The Court reproduced the following Figures 1 and 2 of the '690 patent (ALJ Ex 1):

{REDACTED}

It then stated that the claimed drill of the '690 patent has a tip (1), a shank portion (2), twisted grooves (3), projections (4) with these projections bending and breaking the chips to render them smoothly removable and a conical end having a center point (11) at the apex of the cone and a pair of cutting

edges 10; and that the drill shank (2) is made of medium carbon steel while the drill tip (1) is made of a more durable carbide and is brazed to the steel shank (2). *Sandvik* 121 F.3d at 671 to 673.

The Court in *Sandvik* observed that Sandvik manufactured a commercial embodiment of the patented drill which over time and use dulls and may require resharpening or regrinding; that Sandvik expected the drill tip to be resharpened, which was not contended as an infringement and in fact issued guidelines explaining how to resharpen the tip; that the accused infringer E.J. offered a drill repair service which included resharpening and retipping Sandvik drills; that E.J. retipped drills at the request of customers, who had purchased the drills from Sandvik, when the tips could not be sharpened; that according to E.J.'s vice-president some of E.J.'s customers elected not to have the drill retipped when it could not be sharpened any longer; and that Sandvik did not manufacture or sell replacement drill tips. *Id.*

While respondents Jazz and OptiColor in their initial post hearing submission argued that "*every element recited in the patented combination* [of the '690 patent] after the word 'comprising' in the preamble" (emphasis in original) was being made by E.J. and that E.J. was "truly *making* the *entire patented combination* from a raw block of carbide," (JOBr at 12, 13), the facts are to the contrary. Thus, as the Court pointed out, while the drill shank (2) is made of medium carbon steel, the drill tip is made of a more durable carbide and is brazed to the steel shank. Moreover examination of Figure 2 of the '690 patent shows that the drill shank while it is not part of the tip is represented by the following claimed phrase:

> said drill having twisted grooves [(3) which is part of shank 2] and means defining a cavity [cavities 6 and 7 of Figs 5 to 8 of the '690 patent] formed in said twisted grooves close to said starting end of each of the cutting edges to provide an increase in rake face at the inner radial portion of the cutting edge in the vicinity of said starting end of said cutting edge.

In addition and in further support that the tip made by E.J. was not the entire patented combination, the '690 patent (col. 2, lines 27-34) states:

> Each of the tips 1 is made for example from cemented carbide alloy in the form of a plate and attached to the conical end of the shank 2 by brazing, or any bolt as a throw-away piece. Instead of attaching the separate tips to the shank 2, the tips may be formed integrally with the shank 2.

As each of *Sandvik* and *Hewlett* made clear there is *no* bright line test for determining whether reconstruction or repair has occurred. Moreover, as is clear from a reading of *Sandvik* and *Hewlett*, any consideration of a reconstruction-repair issue is highly fact specific. Based on *Sandvik* and *Hewlett*, both of which cases the Supreme Court denied *cert* as reported in 118 S. Ct. 1337 (1998) and 118 S. Ct. 1304 (1998), it is at least necessary for the administrative law judge to look at the alleged "remanufacture" as it relates to the claimed subject matter in this investigation.

Appendix A

In each of *Sandvik* and *Hewlett* there was no dispute as to what was being done by the accused infringers. In this investigation there is a dispute as to what is being done by the accused infringers because complainant was barred from obtaining *full and free access* to the alleged "remanufacturing" factories of the respondents' suppliers. In addition there are admitted differences among the "remanufacturing" processes. Moreover there is a variety of original LFFPs which differ in construction. Compare *e.g.*, Fuji's Types 1 thru 4 LFFPs (CPX-137 to 144) and the Kodak Max (CPX-150) and the Kodak FunSaver 35. (CPX-149).

Despite the differences with respect to the original single use camera used in the alleged "remanufactures" and the differences in the various accused "remanufacturers" as well as complainant's inability to obtain full and free access to the suppliers' factories, respondents involved in the "remanufacture" have admitted that *every* element of the claims in issue of the '087, '495, '774, '857, '400, '168, '364, '111, '200, '288 and '685 utility patents are in the accused cameras. The administrative law judge has further found that complainant has met its burden in establishing that elements of the claims in issue of said utility patents are in the accused cameras as set forth in the infringement section VI A *supra*. However, as each of *Sandvik* and *Hewlett* has done, it is necessary to look at what the respondents are specifically doing in their alleged "remanufacturing" with respect to the claimed subject matter in issue. It is undisputed that said respondents are not buying new single use cameras and then performing actions on said new cameras which was done by the accused infringer in *Hewlett*. Rather, said respondents are using parts of single use cameras, which have

been manufactured by Fuji and its licensees and which have already been used by the buyer of said cameras, to make single use cameras that are admittedly covered by claims in issue of the '087, '495, '774, '857, '400, '168, '364, '111, '200, '288 and '685 utility patents.

Although there are differences in the alleged "remanufacturing" processes when each of said processes is looked at, which differences the administrative law judge finds significant, respondents involved in the "remanufacturing" at closing argument admitted to some common elements of said processes. Thus regarding the nature of those processes the staff, in its post hearing brief, argued:

> From the evidence of the various suppliers' reloading processes, some common elements can be derived that appear to occur during each process. These common steps (not necessarily in this order) are removing the cardboard cover, opening the LFFP body (usually by cutting at least one weld), replacing the winding wheel or modifying the film cartridge to be inserted, resetting the film counter, replacing the battery in flash LFFPs, winding new film out of a canister onto a spool or into a roll, resealing the LFFP body using tape and/or glue, and applying a new cardboard cover. The various suppliers apparently use different versions of the process, . . . most of which are more elaborate than the common elements of the basic process would suggest. All and all, however the Staff submits that to the extent the processes at issue differ, those

> differences are not significant with respect to the overall nature of the actions for purposes of determining the repair versus reconstruction issue . . . [SBr at 50-51].[42]

The respondents involved in the alleged "remanufacturing" at closing argument agreed with the staff's characterization. (Tr. at 4034, 4037, 4040).

Looking at only what respondents agreed to as the elements of the alleged "remanufacturing" processes, and looking at the claims in issue of the '087, '495, '774, '857, '400, '168, '364, '111, '200, '288 and '685 utility patents, the administrative law judge finds that the alleged "remanufacturing" processes are not comparable to what was done in *Hewlett* where the alleged infringer bought a claimed unused device and modified a cap on the device which cap was not specifically recited in the claims in issue. Rather the administrative law judge finds that the alleged "remanufacturing" processes are comparable to what the accused infringer did in *Sandvik*. This is shown by reference to illustrative claims of each of the '087, '495, '774, '857, '400, '168, '364, '111, '200, '288 and '685 utility patents.

The '087 patent

> The administrative law judge finds that, with respect to claim 1 of the '087 patent (*see* claim interpretation section *supra*), the respondents in

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42. The staff, at closing argument, represented that it was not intended in its post hearing brief to state that the details of the various accused processes were not significant. (Tr. at 4040).

their process of "remanufacturing" Types 1-5 and 7-8A LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) assembling the light tight film casing which must be destroyed to open same through the assembly of the front and rear covers with the use of tape or glue, which results in the claimed element "a light tight film casing which must be destroyed to open same" (element 3 of claim 1 of the '087 patent *see* CX-732), (2) inserting an unexposed rolled film which results in the claimed element "an unexposed rolled film disposed on one side of said opening in said light tight casing" (element 5 of claim 1 of the '087 patent, *see* CX-732), (3) inserting a removable light tight container which results in the claimed element "a removable light tight film container" (element 6 of claim 1 of the '087 patent, *see* CX-732), (4) attaching one end of said rolled film to the film winding spool which results in the claimed element "one end of said rolled film being, attached to said film winding spool" (element 8 of claim 1 of the '087 patent, *see* CX-732), (5) replacing the winding wheel in certain instances, which results in the claimed element "means for winding said rolled film into said light tight film container and around said film winding spool" (element 9 of claim 1 of the '087 patent, *see* CX-732), (6) enabling the winding control means by resetting the frame counter which results in the claimed element:

winding control means responsive to operation of said externally operable member for allowing said film winding spool to rotate so as to enable said rolled film to be advanced by only one frame after every exposure; said winding control means including" (element 10 of claim 1 of the '087 patent, *see* CX-732)

and which also results in the claimed element:

a frame counter driven by said sprocket wheel, said frame counter being provided with indications designating a series of frame numbers and" (element 12 of claim 1 of the '087 patent, *see* CX-732)

and (7) that by resetting the counter the respondents also enable the means for disabling said winding control which results in the claimed element "means for disabling said winding control means responsive to said frame counter indicating there remains on said unexposed film no film frame capable of being exposed" (element 13 of claim 1 of the '087 patent, *see* CX-732).

The '495 patent

With respect to claim 1 of the '495 patent (*see* claim interpretation section *supra*), the respondents in their process of "remanufacturing" Type 1-5 LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted

photographic film package by (1) assembling the light tight film casing which must be destroyed to open same through the assembly of front and rear covers with the use of glue or tape which results in the claimed element "which comprises a light tight film case which must be destroyed to open same" (element 4 of claim 1 of the '495 patent, *see* CX-730), (2) inserting a film roll into the LFFP shell which results in the claimed element "a film in the form of a roll light tightly contained in said light tight film case" (element 5 of claim 1 of the '495 patent, *see* CX-730), and (3) inserting a film container into the LFFP shell which results in the claimed element "and a film container in which exposed film is wound" (element 6 of claim 1 of the '495 patent, *see* CX-730).

The '774 patent

With respect to claim 14 of the '774 patent (*see* claim interpretation section *supra*), the respondents in their process of "remanufacturing" Type 1-5 and 7-8A LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) assembling the light tight film casing through the assembly of front and rear covers with the use of glue or tape which results in the claimed element "a light tight film case" (element 2 of claim 14 of the '774 patent, *see* CX-731), and (2) inserting a film roll into the LFFP shell which results in the claimed

element "and a rolled film" (element 4 of claim 14 of the '774 patent, *see* CX-731).

The '857 patent

With respect to claim 1 of the '857 patent (*see* claim interpretation section *supra*), the respondents in their process of "remanufacturing" Type 1-5 LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) assembling the light tight film casing through the assembly of front and rear covers with the use of glue or tape which results in the claimed element "a light tight casing" (element 3 of claim 1 of the '857 patent, *see* CX-733), (2) inserting a roll of unexposed film into the LFFP shell which results in the claimed element:

> a roll [of] unexposed film disposed on one side of said opening in an unexposed film roll receiving chamber in said light tight casing with its outermost turn exposed to side walls of said chamber and its innermost turn surrounding an empty space; (element 5 of claim 1 of the '857 patent, *see* CX-733),

(3) inserting a light tight film container into the LFFP shell which results in the claimed element "a removable light tight film container" (element 6 of claim 1 of the '857 patent, *see* CX-733), (4) attaching one end of the rolled film to the film

winding spool which results in the claimed element:

having a film winding spool therein disposed on the opposite side of said opening in said light tight film casing from said rolled film, one end of said rolled film being attached to said film winding spool (element 7 of claim 1 of the '857 patent, *see* CX-733),

(5) replacing the winding wheel, in certain instances, which results in the claimed element "means for winding said rolled film into said light-tight film container and around said film winding spool" (element 8 of claim 1 of the '857 patent, *see* CX-733) and (6) enabling the means for winding the rolled film by resetting the frame counter which results in the claimed element "means for winding said rolled film into said light tight container and around said film winding spool" (element 8 of claim 1 of the '857 patent, *see* CX-733).

The '400 patent

With respect to claim 14 of the '400 patent (*see* claim interpretation section *supra*), the respondents in their process of "remanufacturing" Type 1-5 and 7-7A LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) assembling a light tight film case through the

assembly of front and rear covers by the use of tape or glue which results in the claimed element "a light tight film case" (element 2 of claim 14 of the '400 patent, *see* CX-735) and which also results in the claimed element "and a rear case section which is securely fixed to the rear side of main case section and cannot be disassembled therefrom" (element 11 of claim 14 of the '400 patent, *see* CX-735), (2) inserting a light tight film cartridge into the LFFP shell which results in the claimed element "a separate empty light tight film cartridge having a spool therein rotatable about an axis of rotation" (element 4 of claim 14 of the '400 patent, *see* CX-735) and which also results in the claimed element "said film cartridge being enclosed in said light tight film case on one side of said lens" (element 5 of claim 14 of the '400 patent, *see* CX-735), and (3) inserting an unexposed rolled film with one end retained in the film cartridge into the LFFP shell which results in the claimed element "an unexposed rolled film with its one end retained on said spool in said film cartridge" (element 6 of claim 14 of the '400 patent, *see* CX-735) and which also results in the claimed element "said unexposed rolled film being disposed on the other side of said taking lens with its outermost turn in contact with said film case" (element 7 of claim 14 of the '400 patent, *see* CX-735).

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The Re '168 patent

With respect to claim 1 of the '168 patent, the respondents in their process of "remanufacturing" Types 1-4 and 7-8A LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) opening the LFFP body which results in the claimed element "a main case section which is open at its front" (element 7 of claim 1 of the '168 patent, *see* CX-741), (2) inserting a roll of unexposed film which results in the claimed element "and containing light tightly said roll of unexposed photographic film" (element 10 of claim 1 of the '168 patent, *see* CX-741), and (3) reattaching the front cover section with tape or glue which results in the claimed element:

a front cover section which is attached to said main case section and closes said open front of said main case section to cover majority of said taking lens and said shutter means and said film transporting means (element 11 of claim 1 of the '168 patent, *see* CX-741).

The '364 patent

With respect to claim 1 of the '364 patent, the respondents in their process of "remanufacturing" Type 1-4 LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by

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(1) unwinding film from a film cassette and inserting the roll of film into the LFFP body which results in the claimed element:

a film roll chamber disposed on the opposite side of said taking lens from said cassette chamber, said film roll chamber being adapted to contain a roll of said film which is pulled out from a film cassette and wound in a roll (element 9 of claim 1 of the '364 patent, *see* CX-736),

(2) inserting the film cassette into the LFFP body which results in the claimed element "said cassette chamber containing said film cassette (element 10 of claim 1 of the '364 patent, *see* CX-736), (3) inserting a battery into the LFFP body which results in the claimed element "a battery for charging said main capacitor" (element 16 of claim 1 of the '364 patent, *see* CX-736) and which also results in the claimed element "said battery being disposed between said cassette chamber and said film roll chamber and extending in a horizontal direction below said taking lens" (element 17 of claim 1 of the '364 patent, *see* CX-736), (4) attaching the front cover to the LFFP body with tape or glue which results in the claimed element "a front cover section attached to a front of said main body section" (element 18 of claim 1 of the '364 patent, *see* CX-736), and (5) attaching a rear cover to the LFFP body with tape or glue which results in the claimed element "a rear cover section attached to a rear of said main

body section" (element 19 of claim 1 of the '364 patent, *see* CX-736).

The '111 patent

With respect to claim 1 of the '111 patent, the respondents in their process of it "remanufacturing" Type 1-4 LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) inserting a roll of film in the LFFP body which results in the claimed element "a lens fitted photographic film unit containing photographic film and being adapted to take photographs" (element 1 of claim 1 of the '111 patent, *see* CX-737).

The '200 patent

With respect to claim 1 of the '200 patent, the respondents in their process of "remanufacturing" Type 2-4 LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) inserting a roll of film in the LFFP body which results in the claimed element "a lens fitted photographic film unit having a pre-loaded photographic film on which an image is formed" (element 1 and element 11 of claim 1 of the '200 patent, *see* CX-738).

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The '685 patent

With respect to claim 1 of the '685 patent, the respondents in their process of "remanufacturing" Type 1-4 LFFPs, which produces the claimed cameras (*see* infringement section *supra*) make a lens-fitted photographic film package by (1) inserting film into the LFFP body which results in the claimed element "a film supplying chamber for containing unexposed photographic film" (element 3 of claim 1 of the '685 patent, *see* CX-740), (2) replacing the winding wheel, in certain instances, which results in "a film wind up wheel for winding up said film as exposed" (element 8 of claim 1 of the '685 patent, *see* CX-740), (3) enabling the film wind up wheel to function properly by resetting the frame counter which results in the claimed element "a film wind up wheel for winding up said film as exposed" (element 8 of claim 1 of the '685 patent, *see* CX-740), (4) enabling the wind up stopping mechanism by resetting the frame counter which results in the claimed element "a wind up stopping mechanism for preventing said wind up wheel from rotating after film is fed by one frame after each exposure by rotation of said wind up wheel" (element 9 of claim 1 of the '685 patent, *see* CX-740), and (5) attaching a front cover to the LFFP body with tape or glue which results in the claimed element "a front cover secured to said film containing unit in front of said photo taking unit" (element 14 of claim 1 of the '685 patent, *see* CX-740).

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The '288 patent

With respect to claim 1 of the '288 patent, respondents Ad-Tek, Argus, Dynatec and Boshi, in their process of "remanufacturing" Type 1-4 LFFPs, which produces the claimed cameras (*see* infringement section *supra*) makes a lens-fitted photographic film unit by (1) inserting a roll of film into the LFFP body which results in the claimed element "in which a body contains photographic film drawn out in a form of a roll" (element 2 of claim 1 of the '288 patent, *see* CX-739), and (2) modifying the film cassette, in certain instances, so that it mates with the winding wheel, which results in the following claimed elements:

> a spool in said cassette and thereby said film is wound back into said cassette, said film unit comprising (element 3 of claim 1 of the '288 patent, *see* CX-739);
>
> an axial hole formed in one distal end of said spool (element 4 of claim 1 of the '288 patent, *see* CX-739);
>
> a pair of engaging plates, projected from said axial hole in a position axially downward inside said axial hole, and shaped in a rotationally symmetrical fashion at a straight angle with respect to an axis of said axial hole (element 5 of claim 1 of the '288 patent, *see* CX-739); and

> a key way defined by a plurality of inner teeth formed on an inside of said axial hole and axially upward from said engaging plates (element 6 of claim 1 of the '288 patent, *see* CX-739);
>
> wherein said winding wheel includes a drive shaft integrally formed therewith (element 7 of claim 1 of the '288 patent, *see* CX-739); and
>
> said drive shaft includes a plurality of engaging teeth formed thereabout, arranged at a regular pitch, extended axially, and respectively engaged with said inner teeth. (Element 8 of claim 1 of the '288 patent, *see* CX-739).

Based on the foregoing, the administrative law judge finds that the processes of the respondents involved in the alleged "remanufacture" are more complicated than simply adding film, battery and paper as argued by Jazz and OptiColor (JOBr at 13) and also more involved than simply taking a *new* claimed cartridge and modifying a cap of that cartridge, which cap was not specifically claimed, as in *Hewlett*. The Court in *Sandvik* stated "E.J. does not just attach a new part for a worn part, but rather must go through several steps involving claims in issue to replace, configure and integrate the tip onto the shank" 121 F.3d at 673. Based on the comparison detailed *supra*, the administrative law judge finds that the respondents involved in the "remanufacture" also must go through several steps to "replace, configure and integrate" the parts of a single use camera to make a

"remanufactured" single use camera; that they do more than just add film, battery and paper; and that in their "remanufacturing" processes, they manipulate a variety of parts of the single use camera directly reading on claim elements in issue.

In addition, referring to what is known about the processes used in the alleged "remanufacture" the administrative law judge finds that the *individual* processes used by the respondents further reveal the nature of the alleged "remanufacturing" processes and supports the finding that those processes involved a reconstruction and not a permissible repair.

The Jazz Suppliers

Jazz has four steady suppliers of LFFPs, *viz*. Peji, Ginfax, Vastfame and Boshi. (FF 218). Boshi supplies about 10% of respondent Jazz's reloaded cameras.[43] (FF 219). In addition to the elements of the Boshi process that are common to all of the respondents' processes, from what is known *only* from the video, the Boshi process includes placing the LFFP camera body in a machine which appears to be grinding down the Fuji Film logo on the cowl surrounding the taking lens (FF 258); the side weld next to the film cassette receiving

43. While Fuji's counsel received one videotape from a Boshi factory (CPX-470), Fuji had no opportunity to visit the Boshi factory to corroborate the video or to determine whether any steps were left out of the video. Moreover the video, for example, gives no insight into how the single use camera shells are obtained by Boshi nor in what condition they are in when they are received nor what selection process is used by Boshi to determine which shells will be used in the "remanufacturing" process.

chamber is cut with a chisel like blade in a hand press (FF 258); the front cover is removed and then the film door on the film receiving chamber is cut (FF 258); and then the front cover is reattached with no effort to match the covers with bodies. (FF 258).[44]

According to the video the next step involves removing the front cover again (FF 259); inserting a razor blade like tool under the counter wheel and cutting or prying a mechanism underneath the wheel (FF 259), Lorenzini testified that he is not exactly sure what the worker is doing with the razor blade at this stage, but that the worker is either working the frame counter or completing the opening of the take up spool area (FF 225); the front cover is then reattached to the LFFP body (FF 259); the rear cover is pulled away from the main body at the corner near the advance wheel and a metal ring is placed inside the film cassette chamber in order to hold the back cover apart from the middle section (FF 259); then the flash unit is tested. (FF 259).

The following step, pursuant to the video, involves measuring the leader of the film against a block and then inserting the film into the LFFP body (FF 260); a worker then manipulates the leader into the gap between the middle and back sections and removes the metal ring holding the body open (FF 260); at this stage, if the film door has been lost a new door is added (FF 260); a worker then clips off the engaging tabs of the film door (FF 260); then a worker inserts a small metal hook between the film wheel and the

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44. Jazz's counsel admitted that an "appropriate cutting tool" is needed to separate the back cover from the main body. (JORCFF 2031).

engaging pawl and pulls the hook back and tapes it down along the back cover of the LFFP body (FF 260), Bellows testified that the use of the hook under the film wheel is done in order to disengage the stopping mechanism in order to reload film in the one time use camera body. (CX-725, Q&A 103).

Thereafter, according to the video, the process involves the winding of the film which involves inserting a spindle which engages the film in the film receiving chamber, then placing the LFFP body in a dark box and pushing the body against a machine which winds the film (FF 261); a worker winds the thumb wheel backward while the film is winding (FF 261); then a worker removes the spindle while the camera is still in the dark box and tapes the film receiving door shut. (FF 261). In the next step a worker inserts a new battery and the flash is tested and a frame is shot (FF 262), the cardboard inner covering is then placed around the LFFP and the body is put in a cellophane wrapper. (FF 262).

The video further shows that the Boshi process also includes the modification of the film cassette in which a circular ring is placed around the circumference of the spool, then a worker uses heated dies to mold the teeth to the inner circumference of the spool of the film cassette so that it engages the teeth on the Fuji advance wheel. (FF 263).[45]

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45. Jazz and OptiColor argued that the respondents' suppliers do not manufacture or assemble the overwhelming majority of parts in the LFFP (RJFF 15); and that respondents' suppliers use intact, without assembly or disassembly, the overwhelming majority of the camera and all its parts originally manufactured. (RJFF 17). It is

(Cont'd)

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Regarding the processes used by Jazz's supplier Peji, Lorenzini testified that he saw the Peji process and he described the process as involving (1) the opening of the Fuji Quicksnap at three points with some sort of tool, (2) placing the camera in some sort of mechanical fixture and pulling a lever so that the plastic is cut and the back can be opened, (3) checking the flash, kicker, shutter and advance mechanism and cleaning the camera, and (4) loading the film in a dark box where the film is pulled from the canister then the canister and film roll are placed back in the camera and the back cover is put back on with a rubber band and tape. (FF 264).

Lorenzini also testified that he saw the Ginfax process. Lorenzini described the process as involving cutting open the camera, checking the flash and film advance mechanism, loading the film in a dark box which involves a motor pulling the film out of the canister into a roll, and placing the film and canister in their respective portions of the camera.

The administrative law judge finds that Lorenzini's description of each of the Peji process and the Ginfax process is deficient in details. For example, Lorenzini's description of each of the processes does not give any insight into (1) how many welds are cut and with what sort of tools

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(Cont'd)

clear, from an analysis of the common elements of the respondents' processes and the elements of Boshi's process, that while the respondents' process does not involve the *manufacture* of a majority of the parts of the LFFP, the process involves the manipulation, configuration and integration of many parts directly related to the claimed subject matter in issue.

(2) how the frame counter is adjusted (3) whether and how the winding wheel or film cartridge is modified, (4) what the details are concerning the process for loading and winding the film; and (5) whether any modifications are done to either the mechanical units or the flash units.

The San Harbor Process

OptiColor's sole supplier of single use cameras is respondent San Harbor. (FF 267). The only testimony proffered at the hearing concerning the process used by San Harbor was the testimony of Mr. Lass, the president of OptiColor. (FF 278). Lass himself has not seen the San Harbor process and his information was obtained from Mr. Brammer, who toured a San Harbor facility apparently no longer in use[46] and received explanations from Corinna and/or Vitoria Lim. (FF 279).[47] Ms. Corinna Lim did not testify at the

46. OptiColor admitted that Brammer has not visited San Harbor's "new" factory. (JORCFF 2242).

47. There is pending Motion No. 406-49 by OptiColor for reconsideration of an oral ruling on November 13, 1998 excluding from evidence ROCX 150 and ROCX 151, *viz.* OptiColor's designations from the depositions of Lass and Brammer. While complainant opposed the motion, Motion No. 406-49 is granted. In granting Motion No. 406-49, the administrative law judge has considered ROCX 150 and ROCX 151 as well as the counter designations CX-329 and CX-326. Regarding ROCX 150 (Lass deposition designations). The administrative law judge, as indicated *supra*, gives no weight to the Lass testimony concerning the San Harbor process because Lass *never* visited the factory and received his information second hand from Brammer, who has never visited the current San Harbor factory. Regarding ROCX 151 (Brammer

(Cont'd)

hearing, but her deposition was taken, and she gave testimony concerning the San Harbor process. However Lim testified that she did not "have such detailed practical knowledge because she was not performing the activity first hand." (FF 280). Moreover, Lim also testified that "being a general manager of a factory, of course when I go and inspect I inspect things in general and not in detail." (FF 283). Significantly Lim never testified at the hearing nor did the complainant have the opportunity to visit the San Harbor factory and corroborate any of Lim's deposition testimony.

However Lim in her deposition did testify that the San Harbor process includes the use of "special equipment" to cut the shell of the cameras and then cutting along the film door with a hand held paper cutter (FF 282 and 284); that the shells are then examined and cleaned, the winding mechanism, the shutter and the lens are examined and tested as well as the circuit board and flash (FF 287 and 288); that thereafter a cut is made to open the back door, the interior of the shell is cleaned and, on the instances that the advance wheel is changed it is done at this step, (FF 289); and that if the film door is missing it is replaced at this stage, and rarely, if necessary, the film lens is replaced at this stage. (FF 289).

Lim, in deposition, further testified that the following step which pertained to loading the film in a darkroom,

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(Cont'd)
deposition designations) the administrative law judge finds that the designations offered by OptiColor in conjunction with the Brammer deposition designations offered by complainant (CX-326) add nothing to what Lim stated in deposition concerning the process used at the San Harbor factory because Brammer did not visit the current San Harbor and thus could not testify about it.

involved spooling the film out of the film cartridge into a roll and placing the roll and cartridge into the two respective chambers of the camera; that the back of the camera is then fixed to the LFFP shell and secured with tape (FF 290); that the film door is then sealed with heat melts and the camera is tested to ensure the flash and advance wheel and frame counter function properly; and that the camera is then packaged. (FF 291).

Based on Jazz's representation in closing argument (Tr. at 4034) and Lim's deposition testimony, the San Harbor process includes all the steps set forth in the elements that are common to all the processes. However it is still unclear as to when and how and to what degree of complexity those steps are performed. For example, Lim's description at her deposition gave little insight into (1) what type of tools are used to cut the various welds of the single use cameras (2) how the frame counter is adjusted (3) how the winding wheel is modified in the instances in which it is modified and what happens in the instances in which it is not modified, (4) what type of tools are used in the winding of the film and how exactly the loading of the film is accomplished and (5) whether any modifications are done to either the mechanical units or the flash units.

The Dynatec Process

Mr. Yu, president of China Products, Inc., a sourcing agent who locates factories in China, was the only individual who proffered testimony at the hearing regarding the processes of the Changzhou factory which supplies Dynatec. (FF 292, 293). Yu testified (FF 298):

A Sure. The first will be remove the cardboard paper on this cover, and taking off the battery, if there's one attached to; then open the back, the back panel. If there's a side panel attached to, most of the time the photoprocessor took them out because they need to take the cartridge film, cartridge out of this — out of this — out of this cavity.

So if there's a side panel on them, first remove the side panel. If there's no side panel attached to, just remove the back cover. After that, adjust the film, film counter to the — sorry — then after that we replace the winding wheel, and if it's originally from Kodak. If it's a used one, we don't need to replace it.

Now, after that we reset the counter to the proper number.

Q Now, at some point in this process you also remove the battery; is that correct?

A The battery was removed after the cardboard cover was removed.

* * *

Q How is it then that you accomplished the removal of the back panel?

A Basically there are four latches on each side of — on each side of the back panel; and also there is latches that on the bottom, just unlatch them and open them up.

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Q Then you described a step for removal of the battery for the flash cameras. What is the next step in the procedure that is incorporated by the Changzhou supplier?

A You mean the Max?

Q For reloading this particular camera shell, that is CPX 190.

A You mean after you unlatch them or after you remove the battery?

Q After you unlatch and remove the back panel.

A Oh, yeah. After you open the back panel, the procedure will be replace the winding wheel, then adjust the counter. After that —

Q When you say "the counter," what counter is that?

A It's a white wheel, white wheel film counter, has numbers on them.

* * *

Q What is the purpose for the film counter, Mr. Yu?

A The film counter —

* * *

THE WITNESS: Film counter is used to count how many exposures was taken.

BY MR. LAYCOCK:

Q What then is the next step?

A The next step will be the winding the unexposed film from the canister on to a plastic spindle. After — after winding all the unexposed film on to that plastic spindle, the spindle is full of film, and then put both canister and the spindle back to the — back to the respective cavities.

* * *

Q What's the next step in the process used to reload the CPX 190 exhibit?

A After that, put back the back panel, then insert the battery, the new battery on to the camera; apply the — apply the Dynatec cardboard cover on it, and then it is done.

* * *

Q Are these the steps that you testified that you observed being practiced by the Changzhou Company?

A Yes.

Q And is it your understanding that these are the steps that are always followed for the reloading of this particular camera shell on behalf of Dynatec?

A Yes.

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Q I'd like you to now take before you Exhibit RPDYNA 19.

A I have RPDYNA 19 in front of me.

Q Do you recognize RPDYNA 19 as a Dynatec Fun Pak camera with flash?

A Yes.

Q And are you able to identify the camera shell that has been reloaded to result in the Fun Pak camera with flash?

A Yes.

Q What is it?

A It is the loaded with the Kodak Max shell with the Dynatec package.

Q Would you please describe for the Court the process steps followed by the Changzhou supplier in preparing this camera on behalf of Dynatec?

A Sure. The process — the process will be first remove the — whatever cardboard cover on the shell, and open the back panel by unlatching the four latches, two latches on each side as well as the two latches on the top, one is on top of on the bottom, the opening, and open the back panel and take out the batteries in it.

After that, replace the winding wheel and reset the film counter. After that it will be, you know, winding unexposed film from canister on to a spindle.

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Once the spindle is full of film and put both canister and the film, the spindle with film back to respective concavities. And after that, insert a new battery, close the back panel. And apply the — apply the Dynatec cover on them and it's done.

Q The procedural steps that you have just described, are those the same steps which you have observed and learned are a part of the process incorporated by the Changzhou Company in preparing this particular camera?

A Yes.

Q Thank you. I'd like you to now take before you Exhibits RPDYNA 4 and RPDYNA 5.

A I have RPDYNA 4 and 5 here.

Q Are these the same exhibits that you identified as being Dynatec Fun Pak cameras made from Fuji shells?

A Yes.

Q Is the process for reloading each of the exhibits RPDYNA 4 and 5 similar?

A Similar except the outdoor does not have a flash unit.

Q Would you please describe the process incorporated by the Changzhou Camera Company in preparing these particular cameras on behalf of Dynatec?

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A Sure. The procedure of reloading the Dynatec flash camera with Fuji recycled Fuji shell are the same as the Kodak one, remove the cardboard box in this step. And then remove the battery at the bottom, and then open the — open the front cover by unlatching the latches on both side and top and bottom, open the front cover, and taking off the flash unit, then taking off the shutter, the mechanical unit what we call the shutter mechanism.

And after that, the factory uses a cutter to cut the bottom cap of film supplying chamber.

* * *

Q How is the cutting procedural step accomplished, Mr. Yu?

A They have a tool sitting on the table and insert the camera in and there's a cutter from top and goes down, and cuts that particular part, cutting — cutting it in half so the bottom is still connected to the body itself.

Q And what is it that is cut, Mr. Yu?

A They're cutting the bottom cap, bottom cap of the film, what Fuji calls the film supply chamber.

Q Would you please continue in your description of the procedural steps used by the Changzhou Company in preparing particular cameras.

A Sure. After it's open, they use — the factory uses a flexible tape, like a leader attached to the end of the

unexposed film. And then winding the film back into the canister only leaves that tape out, protruding out; then insert that — insert that tape into the film take-up chamber, and then also from that chamber into that channel where the shutter mechanism sits there.

And after that, they insert a whole canister into that film take-up chamber. Then pull the tape, same — pull the tape and the film out of that canister. Once it's pulling out and remove that tape, and then fit the fitted film into that — into that film supply chamber, then using a winding tool, stick into the opening part of — opening bottom part of the film supply chamber and winding the film into that chamber.

Q Is there a film counter in the RPDYNA Exhibits 4 and 5?

* * *

THE WITNESS: Yes. There is a film counter.

Before we insert the — you know, before we insert, put that film counter back, the shutter mechanism back, we adjust, the factory is readjusting the film counter.

BY MR. LAYCOCK:

Q So that is — is that an additional procedural step followed in the preparation of these cameras?

A Yes, it is, it's an additional one.

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Once the film was winding into that film supply chamber, it's sealed, the bottom, the bottom cap of the film supply chamber where it was cut, and we put back the film — put back the shutter mechanism with a counter adjusted to the proper number.

And then reattach the flash unit, after that and then they will put the cover, front panel back to the — to the place, and insert the — insert a new battery and put a cap on top of — on the top of the lens so to cover the logo.

And once that is done, will apply the cardboard paper, Dynatec's package on to the camera and the film.

Q Are those the procedural steps that are always followed by the Changzhou Company in preparation of the Fuji shells?

A Yes.

Regarding Yu's credibility as a witness, testimony at the hearing indicated that his memory is questionable. For example, while Yu's deposition was taken on September 1, 1998 by complainant's counsel, Yu testified on November 12, 1998 at the hearing that he *could not remember* being questioned by complainant's counsel at his deposition concerning what was said during his visit to the Changzhou factory in May of 1998. (Tr. at 3295). Moreover, at his deposition on September 1, 1998, Yu *could not recall* what was said during his visit to the Changzhou factory in May of 1998 (CPX-417), even though it is undisputed that Yu accompanied Gledhill to the Changzhou factory and

performed translations during the production of a videotape. (CPX-407). A further indication of Yu's lack of memory is the fact that, at his deposition, Yu testified that *he had never seen* any of the film loading steps demonstrated for him in the light (CX-162), while he later testified, after examination by Dynatec's counsel, that *he did see* the steps demonstrated for him in the light (RDYNA-35). However yet upon further examination by complainant's counsel Yu *could not recall*, *had no idea* or *did not pay attention to* any details concerning the film winding and loading process and what sort of tool was used during that process. (CX-162). Moreover, while Yu testified, at the hearing, that he had no assistance from counsel preparing his declaration (RDYNA-34) (Tr. at 3268 to 3274), he also testified that the obtained the drawing of Exhibit A to his Declaration (RDYNA-34) from his attorney. (Tr. at 3274). Earlier, at his September 1, 1998 deposition, Yu testified that he downloaded Exhibit A from the Internet. (CPX-417). Yu also testified, at hearing, that he received Exhibits C an D of his Declaration from Kodak (Tr. at 3275), but at his deposition Yu testified that he downloaded these exhibits from the Internet. (CPX-417). Furthermore, Yu testified that he obtained knowledge regarding the cost of single use camera shells from his visit to the Changzhou factory in March of 1998. (Tr. at 3299). However, during his deposition on September 1, 1998, Yu testified that he *had no idea* how Changzhou obtained the single use camera shells and that he never participated in identifying sources of shells for Changzhou (Tr. at 3299-3300). Based on Yu's lack of memory, and the inconsistencies between his testimony at the hearing on November 12, 1998 and his testimony is at his deposition on September 1, 1998, the administrative law judge finds Yu's testimony lacking in credibility.

Moreover Yu's testimony *supra*, adds little information concerning the elements of the Changzhou process beyond what are known as the elements that are common to all of the "remanufacturing" processes. For example, Yu's testimony does not give any information on (1) how the Changzhou factory obtains the single use camera shells and what condition they are in when received (2) how the frame counter is removed and adjusted, (3) how the winding wheel is modified, and (4) whether any modifications are done to either the mechanical units or/the flash units. Moreover, a review of the videotape taken by Gledhill of the Changzhou process (CPX-407) reveals that the process shown is merely a "bench" demonstration[48] and does not disclose any information regarding the actual process used in the Changzhou factory. (FF 310). Accordingly, the administrative law judge gives no weight to the process revealed in the videotape.

The {REDACTED} Process

The administrative law judge finds that there is very little evidence in the record concerning the {REDACTED} process. Complainant visited the {REDACTED} factory on September 1, 1998. (FF 317). However complainant was only able to view some preloading activities and some postloading activities, but did not have the opportunity to witness the loading process. (FF 320). Complainant was unable to view the loading process that day because none of China Film's

48. The administrative law judge understands a "bench" demonstration to be a demonstration given apart from the factory's remanufacture process and only for the benefit of the viewer, rather than an actual view of what happens *during* the remanufacture process.

product were being loaded that day, but rather another customer's product was being loaded and {REDACTED} could not authorize complainant to view another customer's product and the process involved in making that product. (FF 319).

In addition to the preloading and postloading activities, {REDACTED} gave a bench demonstration of the loading of China Film's product, *i.e.*, the reload of a Fuji LFFP. (FF 320). However in view of the facts that the complainant did not have the opportunity to witness the reloading procedure of China Film's product at the {REDACTED} factory, and that the demonstration was merely a "bench" demonstration of the reload process, the administrative law judge finds insufficient evidence in the record to support China Film's argument that the {REDACTED} reloading process was adequately disclosed to complainant and that said process is a repair.

Subsequent to complainant's visit, {REDACTED} extended another visitation offer for October 21, 22, or 23, 1998. However, the offer for visitation was for a time already past the close of discovery and during the time for submission of prehearing statements and thus untimely. (FF 321).[49]

{REDACTED} also supplies PSI. Thus, the administrative law judge also finds that there is insufficient evidence in the record to support PSI's argument that its supplier's process is simple.

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49. Order No. 11 which issued on August 20, 1998 had put the parties on notice, *inter alia*, of a target date of May 25, 1999, a discovery cut-off and completion date (non-experts) of October 2, 1998, and an evidentiary hearing commencing on November 2, 1998.

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The Sakar Process

Sakar only made an offer of visitation to its reload factory on October 16, 1998. (ACS Br at 11). This offer was made after the close of discovery. Moreover there is nothing in the record to indicate what is involved in the Sakar process. (FF 322).

Based on the foregoing, the administrative law judge finds that, in the instances in which some information is known about the respondents' *individual* remanufacture processes, *viz*. Changzhou (accepting Yu's testimony), Boshi and San Harbor, those processes support a finding of impermissible reconstruction because the factories involved do much more than merely add film, battery and paper. The administrative law judge further finds that, in the instances in which those respondents, involved in alleged "remanufacture," have provided little or no information on the factories' processes, *viz*. Ginfax, Peji, {REDACTED} and Sakar, those respondents have not sustained their burden in proving that the actions of those factories constitute permissible repair.

Moreover, referring to what is known about the nature of the accused processes involved in the "remanufacture", the administrative law judge finds that said processes, began with damaging or breaking single use camera bodies. Thus, as seen *supra*, the alleged remanufacturing processes can include opening the single use camera bodies by either cutting welds or hooks with a special cutting tool such as a hand press, or using a cutting tool to open welds or hooks and then placing the camera in some sort of mechanical fixture and pulling a lever so that the plastic is cut and the back is

opened.[50] They also can include cutting along the film door with a hand held paper cutter and cutting a weld to open the back door. The alleged "remanufacturing" processes also may involve using a razor blade to cut open the take up spool area or reset the frame counter, and if the back cover is not removed bending it back and holding it open with a washer. In addition the administrative law judge also finds that some of the processes even include the use of a grinding machine to grind down the cowl on the front cover that surrounds the taking lens. Dynatec's technical expert Read in his "Dave Read's 'how-to' instructions for reloading Fuji QuickSnaps" (CX-164 at 10) stated:

> "Another gentle tug on the shutter assembly should lift it free completely. Now you can remove the advance wheel with no effort.
>
> *When releasing the second latch on the shutter assembly, be careful! I broke one with very little force. I don't know if it will be a long-term problem, but the shutter assembly is definitely a little loose now. I also wouldn't recommend removing and replacing the shutter assembly too often*" [Emphasis added]

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50. Dynatec's Yu admitted that in reloading the Dynatec flash camera with a Fuji recycled Fuji shell, "the factory uses a cutter to cut the bottom cap of film supplying chamber." (Tr. at 3223). While Dynatec's Read testified that based on the "evidence" Read sees in the process of reloading Kodak cameras "nothing is broken," and that "if anything were broken it would not be the essential parts of the camera, it would be some little plastic tab somewhere" (Tr. at 2648) there is no evidence that Read was in the Changzhou factory and actually witnessed what the alleged "remanufacturing" process involved.

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At the hearing, when questioned about that portion of his instructions, Read testified (Tr. at 3680-3681):

> Q So would you now agree that it's relatively easy to break a part of the shutter assembly?
>
> A No. When I say I broke one, I was referring to the second latch, not the shutter assembly. The latch is on the camera body, it's not part of the mechanical unit.
>
> Q Doesn't it hold the shutter assembly on there?
>
> A Yes, that's why it's not a part of the mechanical unit. It's mounted to the body and it holds the mechanical unit onto the body.
>
> Q *Do you have any idea of what the effect of a loose shutter mechanism might be in a camera*?
>
> A *In this case, the entire mechanical unit could shift around a little bit, and it's possible that it might shift the active image area on the negative slightly one way or the other, up and down a little bit, maybe.* [Emphasis added].

Based on the foregoing, the administrative law judge finds that the nature of the actions by respondents involved in the "remanufacture" is effectively a recreation of the patented inventions.

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2. Complainant's Intent

A further factor pointed out by the Court in *Sandvik* was the patentee's intent.

The administrative law judge rejects respondents' argument that an analysis of the patentee's intent can *only* be used as objective evidence that the patentee expected that its product would be repaired and reused. (JOBr at 113, 114). Specifically, respondents argued that the cases in which a court relied on intent were cases where "the patentee was claiming that the device was spent, and could not be repaired, yet the patentee itself was offering a repair service or parts for the device similar to those being offered by the defendant" (JOBr at 34); and that courts only used the intent of the patentee "against the patentee to support a holding of repair." (JOBr at 34).

The Court however in *Sandvik* found that the evidence showed that Sandvik never intended its drills to be retipped; that *Sandvik* did not manufacture or sell replacement drill tips; that *Sandvik* did not publish instructions on how to retip its patented drills or suggest that the drills could or should be retipped; and that there was no objective evidence that Sandvik's drill tip was intended to be a replaceable part. 121 F.3d at 674. The Court, in so finding, stated:

> There is, therefore, no objective evidence that Sandvik's drill tip was intended to be a replaceable part. *Although the repair or reconstruction issue does not turn on the intention of the patentee alone, the fact that no replacement drill tips have*

> *ever been made or sold by the patentee is consistent with the conclusion that replacement of the carbide tip is not permissible repair.* (Emphasis added).

Id. Thus, the Court in Sandvik recognized that the patentee's intent is a factor in the repair-reconstruction analysis and that the patentee's intent can be used *not only* to show that the patentee expected its device to be reused *but also* to show that the patentee did *not* expect its device to be reused. The administrative law judge, like the Court in *Sandvik*, is not using complainant's intent to determine the issue of the repair versus reconstruction. Rather he is looking at complainant's intent to determine whether it is consistent with the conclusion that the alleged "remanufacturing" processes constitute or do not constitute an impermissible reconstruction, and whether it supports the ultimate finding on the issue.

In this investigation the administrative law judge finds that the evidence shows that Fuji, who is the owner of the patents in issue (FF 54), never intended that the single use cameras in issue be "reconstructed" as is being done in the "remanufacture" by the accused infringers and in fact intend that the cameras be constructed as to be limited to a single use.[51] Single use cameras are relatively inexpensive, disposable cameras which are preloaded with film and a film cartridge so that after use, all of the film has been advanced

51. *See*, e.g., col. 2, lines 7-10 of the '400 patent (CX-6), which is based on 1986 and 1987 priority data, (CX-6) and disclose that an object of the invention is to provide an LFFP so constructed as limited to a single use.

into the film cartridge. (FF 1). In contrast to a single use camera, a conventional camera is designed to be reloaded by the consumer. Access to the film compartment of a conventional camera is relatively easy, usually by opening a hinged cover, inserting the film cartridge into the camera, and threading the film tongue through the slit on the winding spool, or in the case of auto-loading cameras, by pulling the film tongue enough to go over the winding spool and closing the cover. The design of conventional cameras, including the materials used, permits repeated reuse, while LFFPs are designed to be used once. (Omura CX-650, Q&A 14).

In design by Fuji of the first 35 mm LFFP, certain criteria were considered important during its development. Thus the single use camera had to be easier to use than a conventional camera. The single use camera had to require relatively no mechanical skill on the part of the user. The difficulty a user might have with loading film into a conventional camera had to be avoided. The single use camera had to be relatively inexpensive to manufacture and convenient to mass produce. The LFFP had to be capable of sale at a low enough price relative to the price of film alone that users would not be disturbed by the fact that the LFFP would be disposable.[52] Despite the low

52. Dynatec's Gledhill in deposition testified that when he takes a single use camera to a photo developer to have it developed, as a consumer he does not ask to get the camera back; that his best description of a single use camera is a camera that any consumer would purchase and when the consumer returns the camera to get the prints, the consumer returns the camera and the film all in one and that the fact that the camera is also called a one-time-use camera is that the camera is used up when the consumer takes it to a photo developer. (CX-147 at 11, 18, 57). OptiColor's President Lass testified that when he uses the term "single use cameras" he is referring to "a camera that is used by an individual one time." (Tr. at 1865).

price of an LFFP, it had to provide high quality pictures, which would be found acceptable to users of conventional cameras. Finally, the single use camera had to be convenient for a photo processor to develop the pictures taken with the LFFP using existing equipment. In other words, the basic concept in developing this LFFP, in terms of the user, was to "make it a product that could be used by anybody, anytime, and anywhere with ease and without worry," and in terms of the photo processor, the concept was to create an LFFP that could be processed using existing equipment without any hassle. "Anyone" meant that the single use camera should be easy to use for women who may not be very good at using cameras, children and even the elderly. "Anytime and anywhere" meant that the single use camera can be bought on a trip even if the traveler did not bring a camera, and can take pictures whenever he wants. "Easy to use without worry" meant that the price was low enough and the functionality was good enough that consumers were satisfied. (Omura CX-650, Q&A 23). It was Fuji's design objective that the single use camera be used by users of all ages, from young children to the elderly; that any use of the single use camera should require no mechanical skill nor any ability to load or thread film; and that Fuji's single use cameras should be essentially point-and-shoot products so that little skill in picture taking is required. Further, it was Fuji's design objective that the single use camera be a strong and reliable product, capable of resisting normal usage, but which, because of its low costs could be taken to places, such as to the beach or skiing, where people might be unwilling to risk more expensive cameras. (Omura CX-650, Q&A 32).

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To satisfy the criteria considered important during Fuji's development of the single use camera, the key to its successful design was the use of a standard 35mm film cartridge, with which film processors were very familiar. The best method of using the 35 mm cartridge was to provide a film supply compartment and a film take-up compartment on both sides of the photo lens inside of a light-tight plastic case, to provide unexposed film that has been rolled up inside the film compartment by unwinding it out of the cartridge ahead of time, and to store the empty cartridge in the film take-up compartment.[53] Fuji's LFFP was designed so that as the pictures were taken, the exposed film was wound back into the 35 mm film cartridge.[54] When all of the film was used and all of the film was wound into the cartridge, all that was required of the user was that the user deliver the used LFFP to a photo processor. The single use camera was designed by Fuji so that a user need never touch the film, thus the single use camera was enclosed in a paper box which the user would have to destroy if he wanted to access the film, and which paper box contributes to the light tightness of the single use camera.[55] Also, consistent with Fuji's design that the user never had to handle the film, Fuji made the rear

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53. *See* for example claim 1 of the '087 patent, claim 1 of the '857 patent, claim 1 of the '495 patent, claim 14 of the '400 patent, claim 1 of the '364 patent, claim 1 of the '685 patent and claim 1 of the Re '168 patent, *see* section VII A1 *supra*.

54. *See* for example claim 1 of the '087 patent, claim 1 of the '857 patent and claim 1 of the '685 patent, *see* section VIIA1 *supra*.

55. *See* for example claim 1 of the '087 patent, claim 1 of the '495 patent and claim 1 of the '857 patent, *see* section VIIA1 *supra*.

cover difficult to remove by securing it with ultrasonic welding and/or hooks that would break if opened. Therefore the user neither had to load the film, nor wind the film back into the film cartridge after use as was the common practice in conventional cameras, or remove the film from the camera body. Furthermore, in order to allow easy and fast access to the film for the photo processor for further developing, Fuji designed the single use camera with a door at the bottom of the film take-up compartment which can be broken open by ripping the paper back from the outside.[56] Since removal of the film could be performed in ordinary room light, and since the cartridge could be processed using equipment already owned by photo processors, the single use camera developed by Fuji was very convenient for photo processors to deal with. (Omura CX-650 Q&A 28, 30 and 31).

In order to achieve the good photo quality, Fuji, moreover had to do more than just use a 35 mm film. Fuji paid close attention to the design of the lens of the LFFP so that the lens could provide high quality photos even though it is an inexpensive plastic lens. Also, Fuji took measures to ensure that the film is positioned accurately in relation to the lens and that it is fixed in that position and maintains its position during picture taking. (Omura CX-650 Q&A 29). Some of the features incorporated in Fuji's LFFPs to improve picture quality included the providing of upper and lower projections formed on an inner surface of the film roll receiving chamber which supported the outermost portion of the film roll at its upper and lower sides. Another feature used by Fuji, in its design of the single use cameras, was the structure which

56. *See* for example claim 14 of the '400 patent, *see* section VIIA1 *supra*.

forced the film to be curved in an S-curve between the film passage and the slot of the film container. Other features were protuberances on the inside of the back cover which defined a forwardly opening concave path to the frontal part. (Omura CX-650 Q&A 30).[57]

Furthermore, the cardboard of the Fuji single use camera instructed the purchaser to bring the entire single use camera to a photo processor to have the pictures developed but it also warns the purchaser about electrical shock with Fuji's flash single use cameras. Thus the evidence establishes that a Fuji flash QuickSnap single use camera is in a box and each of the box and the outer cardboard cover of the camera has statements instructing the purchaser to not remove the film and return the camera to the photo processor and further cautioning the purchaser about the risk of electrical shock if opened by the purchaser. (CPX-137). A Fuji QuickSnap single use camera without flash on its box instructs the purchaser not to remove the film and to return the camera to a photo processor. (CPX-138). Both CPX-137 and 138 instructs the purchaser that the single use camera will not be returned to the purchaser after processing. Similar notations are on the Kodak Max flash single use camera (CPX-150) and on the Kodak Fun Saver 35 flash single use camera. (CPX-149) (*See* also Snook CX-700, Q&A 9).

Fuji did accomplish its design objectives because a typical user, who has purchased for example a Fuji QuickSnap single use camera, uses the camera by exposing the roll of film which is included within the single use camera product.

57. *See* for example claims 14 and 15 of the '774 patent, *see* section VIIA1 *supra*.

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As the frames of the film are exposed, the film is wound into the cartridge within the camera body by the rotation of the film advance wheel by the user. When all of the frames have been exposed, all of the film has been wound into the cartridge. Users then follow the instructions on the cardboard of the camera to bring the entire single use camera to a photo processor in order to have the pictures developed. Users pay the photo processor to develop the film within the camera and receive back *only* the negatives and prints, but not the empty single use camera body. The photo processor tears open the inner cardboard where the film cartridge door is located, breaks open the door covering the film cartridge compartment within the camera and removes the film cartridge. The photo processor then develops the film. (Baer CX-614 Q&A 14, 15).

Respondents acknowledge that complainant's single use camera was designed by complainant such that it was not to be opened and reloaded by the purchaser and yet be inexpensive, thus achieving Fuji's design objectives. For example, Argus' president William James Pearson testified that he did not have the capability of reloading Fuji's single use camera although "with some training . . . I'm sure that I could." (Tr. at 3426, 3442). Dynatec's technical expert Read's "how-to" instructions for reloading Fuji Quick Snap (CX-164) in its introductory paragraph states:

> Before you start, let me say that *reloading Fuji QuickSnap cameras is not a trivial exercise*. It's not impossible, either, but if you don't like diddling with little bits of plastic, or are afraid of destroying a few cameras or wasting a few rolls

> of film while you learn, then I don't recommend reloading. (Emphasis added).

Read was also unable to reload a Kodak LFFP with the assistance of a kit purportedly designed to make such reloading possible. (FF 358).

Jazz's technical expert Heidke, in direct examination by Jazz, testified (Tr. at 3099 to 3100):

> Q Dr. Heidke, let me just ask you one question, because you touched on a topic. You indicated that it's a camera that you reloaded carefully. *Is it your opinion that the Fuji LFFPs are the type of cameras that should typically be reloaded by the average consumer*?
>
> A *I would not recommend it, and I am not recommending that average consumers should engage in reloading these things. because I think reloading a camera, if you want good results, has to be done with someone who has some real knowledge and understanding of cameras and films, and the processes associated with them.* It's not difficult to do, and the advanced amateur, I think I used those words in one of the papers that I wrote, an advanced amateur could probably do it but I would not recommend it for consumers. [Emphasis added]

Heidke further testified on cross-examination (Tr. at 3200-3201):

> You told us before that in your life experience before this case, being a former Kodak employee,

you bought 50 or 60 Kodak one-time use cameras; is that correct?

A That's correct.

Q Why didn't you just buy one and reload it 50 or 60 times?

A Because I was supplying them to — we were having — in one case we had a party with about 14 tables full of people, and I wanted to put a single-use camera on each one of the tables, so I bought 14 cameras and put them on the tables so everybody could use them at the party.

Q *So now you have 14 that you could reuse, so then you only have to buy no more cameras for the rest of your life: is that fair?*

A *No, that's not fair. I would not for myself personally engage in reloading any single-use camera for my Personal use.*

Q *Why not?*

A *Because to me it is — the value of my time, and the other things that I like to do, and given the value of the cameras, their price, to me personally I would buy a new one rather than to take the time to break the back off, splice some new film onto an old petrone, take the eight or 10 minutes. I would prefer to buy a new one.*

Q *And you would agree that that's the view of the average consumer who buys these products?*

A *I believe that's true.* [Emphasis added]

Dynatec's technical expert Read testified that it was his opinion that the average person buys a one-time use camera because it is easy to use, convenient and relatively inexpensive. (Tr. at 3689).

Respondents, in the single use cameras that they sell resulting from "remanufacture", have recognized that single-use cameras are for a one-time use. Thus OptiColor's accused single use flash cameras are sold with the following legend: "Caution. To avoid risk of electrical shock, do not disassemble camera at any time. Return entire camera to photo finisher for processing. Avoid exposure to heat, water and dust." (Lass, Tr. at 2038, 2039, CPX-544). The Dynatec Fun Pack single use flash camera is in a box that has the label "CAUTION: To Avoid Risk Of Electrical Shock Do Not Open Camera" and also the label "Instructions for Developing: Do not open camera case. Return camera to photo dealer for developing ...This is a single use camera. It will not be returned after the film is developed." (CPX-166). An accused Jazz single use flash camera is in a box that has the label "CAUTION: To avoid electric shock from the flash condenser, do not attempt to disassemble this unit." (CPX-197). An accused Sakar single use flash camera is in a box which has the following wordings in duplicate, *viz.*, "Caution: To avoid risk of electric shock, do not disassemble cameras at anytime." (CPX-218). As seen by CPX-544 and CPX-166, *supra* respondents' single use

cameras have labels that indicate the cameras should be returned to photo dealer for developing. *See also*, CPX-187, CPX-174, CPX-197, CPX-218. *See* further, the testimony of Dynatec's Gledhill that respondent Dynatec sells its product with a label instruction for consumers not to open up the camera and to send the entire camera to a film processor. (Gledhill, Tr. at 2566). OptiColor's Lass also testified that OptiColor uses the legend because the retailers that OptiColor sell those cameras to "don't want the end user taking a chance of damaging the film inside which would result in damaged pictures." (Tr. at 2086).

Respondents, involved in the alleged "remanufacture," argued that nearly all parts of Fuji's LFFPs can be reused and make reference to {REDACTED } (CX-703) JOFF 47). {REDACTED

.}(CX-703 at SSL 905-NONE-0045772).

It is a fact that the '685 patent in issue is directed to a lens-fitted photographic film unit whose parts can be recycled easily. However such recycling is a detailed process not done by the purchaser or for the purchaser but rather done by the manufacturer of the single use camera when the single use camera with its exposed film is returned to the manufacturer

via a photo laboratory. *See* CX-11, col. 5, lines 45-68, col. 6, lines 1-14. Moreover in May of 1990, after Fuji started a program to collect LFFP empty bodies, Fuji dismantled the bodies with simple disassembly machines and removed, cleaned and tested the strobe (flash) units for potential reuse. Also beginning in April 1991, Fuji entered into agreements with Kodak and Konica to exchange returned empty LFFP bodies to the original manufacturer. In November of 1992, an automated recycling line Fuji's Fukano helped develop was installed at Fuji's Ashigara, Japan factory and presently Fuji maintains a two-story recycling facility for single use cameras produced in the Ashigara factory. (CX-610 Q&A 23).

Fuji's procedure for dealing with collected empty one-time-use camera bodies returned to Fuji is indeed a detailed process and there is no evidence that a photo processor or a respondent involved in the alleged remanufacture follows such detailed process. Thus Fuji in its process, sorts the empty LFFP bodies, off-site, to screen out non-Fuji products with those of Kodak and Konica returned to Kodak and Konica. The empty LFFP bodies which have been "remanufactured" by third parties are also separated because those include glue and tapes to close the previously opened empty bodies and the glue and tape can interfere with dismantling. Fuji is also concerned that such products will contaminate its equipment and/or components selected for reuse. (*Id.* Q&A 24, 25).

As the administrative law judge has seen in a recycling videotape (CPX-37), the "pure" empty Fuji single use camera bodies with flash, in Fuji's recycling process, are sorted into various types. After sorting, the cardboard cover is removed

and bundled for recycling and the stripped empty bodies are then transported to the appropriate automated disassembly line for removal of the front cover from the assembled main body and rear cover and the charged electrode then removed. Thereafter the battery is removed from the main body for testing and sorting and the strobe is removed from the main body for cleaning and testing. The picture taking lenses are also removed for cleaning and testing from the mechanical units while they are still attached to the main body. The mechanical unit is then removed from the main body and the viewfmder lenses are removed from the mechanical unit for cleaning and testing. (*Id.* Q&A 26). With respect to the rear covers and main bodies uncovered from the empty LFFPs returned to the recycling factory, Fuji grinds them up and pelletizes them in a further treatment outside of Ashigara and then the resulting material is remolded into front covers for use in the manufacturing of a new LFFP. Front covers, obtained from the recycling process, are inspected and those which are free of scratches and other deformations, are reused. Currently, only about {REDACTED} of such front covers are reused each month which represents less than {REDACTED} percent yield. (*Id.* Q&A 34-36). Metal charge electrodes recovered in the recycling process are sent to a third party for recycling because the charge electrode is a fairly complicated but thin metal item and if it does not have proper springiness or shape, the charge button will not work properly. Batteries recovered are divided into three categories and those in the best condition are reused in new LFFPs. Mechanical units removed from the main body are cleaned using compressed air and the counter is reset to a predetermined starting position with the torque inspected to ensure that the counter moves correctly with advancement

of film, the shutter speed measured and the height of the mechanical unit also measured. About only {REDACTED} percent of mechanical units pass all of those tests. (*Id.* Q&A 40-45).

In Fuji's recycling process the flash units removed from a used LFFP are collected in trays and then cleaned in an automated line. The flash unit itself is subjected to over fifty automated tests directed to both its appearance and functionality. The percentage of strobe units that pass those tests has averaged about {REDACTED} percent. (*Id.* Q&A 48-50). The viewfinder lens and picture taking lens that were removed from the returned single use camera's empty bodies are subjected to seven separate baths and then inspected. Approximately {REDACTED} percent of the cleaned lens pass inspecting. (*Id.* Q&A 51-52).

Kodak also has a recycling process. (CX-702). In that process {REDACTED}(CX-700, Q&A 15), and film processors are encouraged to return spent single use cameras from which the film has been removed to Kodak's recycling center in Rochester, New York. At the center, {REDACTED

.} (Snook CX-700 Q&A 13-17).

The administrative law judge finds that the fact that complainant reuses {REDACTED} percent of the flash units tested, {REDACTED} percent of the mechanical units tested, {REDACTED} percent of the lens and

{REDACTED} percent of the front covers, and only after extensive testing, and the fact that Kodak {REDACTED} are not inconsistent with complainant's intent that the single use cameras be disposed of after exposure of one roll of film. This is borne out by the fact that those parts which have passed complainant's extensive testing procedures are *only* re-used in conjunction with *newly* manufactured front covers {REDACTED}, *newly* manufactured main bodies and *newly* manufactured rear covers which newly manufactured components are critical to the light tightness of complainant's single use camera; and further borne out by the fact that Kodak {REDACTED.}

Based on the foregoing, while the administrative law judge finds that the repair verses reconstruction issue does not turn on the intention of the patentee alone (as the Court stated in *Sandvik* 121 F.3d at 674) he finds the evidence in this investigation, with respect to Fuji's intent, consistent with and supports the conclusion that the alleged "remanufacture" is a reconstruction and not a permissible repair.

3. The Nature Of The Original Single Use Camera And How It Was Designed

Another *Sandvik* factor concerns the nature of the original single use camera and how it was designed. As seen from section VII A 2, *supra*, the administrative law judge, in analyzing complainant's intent also examined the nature of the single use camera and how Fuji designed it. Based on that examination he finds that the nature of the single use camera and how it was designed support the conclusion that the alleged "remanufacture" is a reconstruction and not a permissible repair.

4. Whether A Market Has Developed To Manufacture And/ Or Service The Original Single Use Camera

It is argued by respondents that over the past several years a huge industry and market has developed for the reconditioning and sale, in the United States and abroad, of previously used LFFPs originally manufactured by Fuji and others; that this factor weighs heavily in favor of a finding of permissible repair; and that in this huge industry, (1) scores of companies have been providing reconditioning services and importing and distributing reloaded LFFPs in the United States, (2) reloaded LFFPs have been and are being sold by a great number and variety of U.S. resellers, including large retail chains, and (3) millions of LFFPs have been and are being purchased annually by the consumer end users. (*See* for example JOBr at 108, 113).

Complainant argued that the number of infringers cannot in any way indicate that such infringers are performing a permissible repair rather than remanufacture; that all that the number of infringers indicates is that the infringement is profitable; that each of the respondents involved in the "remanufacture" purchases new one-time-use cameras from Asian factories who make the new one-time-use cameras from "abandoned" empty bodies received from film processors;[58] and that none of them do anything closely resembling a repair. (CBr at 132-133).

The staff argued that it appears that most consumers do not know if an LFFP they purchase is reloaded and that the large

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58. There is evidence that respondents suppliers *purchase* LFFP bodies, from third parties. (FF 333).

market for reloaded LFFPs logically has much to do with the low prices charged for them in their direct competition with new, higher priced Fuji and Kodak LFFPs. (SBr at 53).

The Court in *Sandvik* stated "[e]vidence of development in the industry could also be a factor tending to prove that *there is a reasonable expectation* that the part of the patented combination wears out quickly and needs frequent replacement." 121 F.3d at 674 (Emphasis added). The Court in *Sandvik* found "no evidence of large number of *customers* retipping . . . these drills or of companies (other than [infringer] E.J.) offering to retip these drills" *Id.* (Emphasis added). Therefore, the question is whether or not the existence of a "huge industry" tends to prove that there is a reasonable expectation by the customers who originally purchased single use cameras from complainant and its licensees that the single use cameras will be "reloaded." In this investigation the administrative law judge finds no evidence that a large number of consumers are seeking to "reload" their specific single use cameras and he finds no market for parts or services for repairing an original purchaser's single use camera. Thus, the administrative law judge finds that while the fact that a "huge industry and market" for the sale of remanufactured single use cameras may exist, that fact does not tend to prove that there exists a reasonable expectation by the original purchaser of the single use camera that his specific single use camera will be reloaded. Furthermore, while the respondents involved in the alleged "remanufacturing" argued that the fact that a huge industry and market has developed for the sale of remanufactured single use cameras weighs heavily in favor of a finding of permissible repair, said respondents have cited no precedent for the proposition

that the protection of valuable intellectual property rights can be outweighed by the interests of a large number of infringers.

B. Quality Issue

Fuji, in support of its argument that respondents' alleged remanufacturing processes amount to a reconstruction and not a repair, argued that the "remanufactured" single use cameras sold by respondents have lower quality than Fuji's single use cameras and referred to evidence that it maintains supports that argument. (*See* CFF 2093-2160). Hence it argued that single use cameras are not designed for repeated use because there is "significant deterioration of picture quality with re-use." (CRBr at 39).

Respondents argued that any asserted differences in quality between a patented product as new and the product after use and "reconditioning" are legally irrelevant to the question of whether the "reconditioning" process constitutes permissible repair or modification, or the creation of a new product after the original as a whole has been spent, citing *Hewlett-Packard*, 123 F.3d at 1448, 1453; *General Electric Co. v. United States*, 572 F.2d 745, 782 n.14 (Ct. Cl. 1978); *Mallinckrodt, Inc. v. Medipart. Inc.*, 15 U.S.P.Q.2d 1113, 1115 (N.D. Ill. 1990), *vacated on other grounds*, 976 F.2d 700 (Fed. Cir. 1992); *Champion Spark Plug Co. v. Emener*, 16 F. Supp. 816, 820 (E.D.Mich. 1936). *See* JOCL 10 and JOBr at 44-45. The administrative law judge does not find that those authorities support respondents' argument that quality evidence is "legally irrelevant" on the question of whether Fuji's single use cameras are designed for repeated

use. Rather the administrative law judge finds that those cases are distinguishable from the evidence in this investigation. Thus in *Hewlett Packard* the Court in considering whether the alleged inferior quality of the accused device would support HP's position, stated that HP's unilateral intentions to insure quality through a single use of the product in issue cannot change the fact that ROT has only modified an "unused cartridge". 123 F.3d at 1453. Respondents here are not starting with an unused single use camera. In each of *General Electric, Mallinckrodt* and *Champion*,[59] the Court was not looking at the issue of the patentee's intended design of the product. The Court in *Sandvik* however did look at the intended design of the product. Thus the administrative law judge is looking at quality as evidence of complainant's intended design of the camera as a single use camera.

It is undisputed that the quality of pictures produced by a single use camera is important to consumers (non-objected CFF 2093). Fuji presented specific evidence showing tests of single use cameras performed by the David McNorrill who is the Quality Assurance (QA) Engineer for the Fuji's L Plant in Greenwood, South Carolina. The L Plant makes, recycles and tests Fuji QuickSnap brand one-time-use cameras. One of McNorrill's responsibilities as QA Engineer of the

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59. It is noted that in *General Electric* the Court found that in the overhauling, the parts for the overhauling were acquired from the patentee GE (572 F.2d at 782) which is not the case here. Also *Mallinckrodt* involved only a cleaning which is distinguishable from the accused actions in this investigation. (16 U.S.P.Q.2d at 1121). The Court in *Champion*, while it found that a right to repair survived abandonment, did not address any factors involved in repair but rather found for complainant on trademark infringement. (16 F. Supp. at 882).

L plant is to evaluate the quality of one-time-use cameras coming off the manufacturing line at the Fuji Greenwood manufacturing plant. To evaluate the quality of single use cameras, McNorrill uses a battery of tests which analyze various aspects of one-time-use cameras on a daily basis. CX-652 are the Fuji operating standards.[60] Those tests are performed by using the extensive testing equipment at the L Plant, some of which has been customized for the specific performance of the standard tests. Moreover using facilities at the L Plant, McNorrill takes standardized pictures using the tested cameras and develop and examine negative and prints made from those negatives. (CX-651 Q&A 1 to 6).

McNorrill subjected one-time-use cameras of various respondents, which appear to have been made by rebuilding used Fuji or Kodak empty bodies. McNorrill's overall conclusion, after testing hundreds of those one-time use cameras was that they were of lesser quality than Fuji cameras and exhibited a relatively high percentage of quality defects which affect picture taking. (CX-65 1, Q&A 7). McNorrill in his tests found that the accused single use cameras did not achieve consistently acceptable light tightness which it was concluded is probably because in certain instances, the rear body portion has been removed and reassembled. Moreover many of the products McNorrill tested exhibited light leak which affected the quality of at least one of the photos taken with the roll of film. (McNorrill CX-651, Q&A 4 to Q&A

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60. McNorrill testified that most of the tests he performed are explained in CX-652 with the exception of the test for {REDACTED} which "light shielding" test was done at the request of complainant's law firm. (Tr. at 1502).

8). The administrative law judge was able to observe the demeanor of McNorrill and found his testimony credible.

CX-654 are the results of McNorrill's tests which he performed in the fall of 1997. At that time, he performed quality tests using new Fuji single use cameras off the line as the standard. He then tested approximately 200 "remanufactured" single use cameras made by respondent Jazz and 200 "remanufactured" single use cameras made by respondent Fast Shot using the procedures and equipment normally used to test Fuji one-time-use cameras from the assembly line. The purpose of the evaluation was to check the quality of those single use cameras of respondents Jazz and Fast Shot. McNorrill's conclusion was that the quality of tested single use cameras made by Jazz and Fast shot was inferior in quality and not acceptable when compared to Fuji's standards. McNorrill in his tests found the following defects (CX-651, Q&A 12, CX-654):

Light leak (CX-655);
Poor picture quality such as poor magenta color balance;
visible scratches (CX-656);
Flash failures;
Jammed film;
Misnumbered shot counts;
Excessive flash re-charge time;
Loss of function after dropping;
Difficulty of removal of film cartridge;
Split (destroyed) film upon removal from cartridge; and
High humidity in storage bag.

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McNorrill, in addition to the tests conducted in the fall of 1997 also made note of various component and structural modifications as well as a variety of problems which occurred during testing. A wide variety of batteries and film were found in the different types of tested single use cameras including ISO 400 film in the Fuji Type 4 which when originally sold by Fuji is sold with ISO 800 film. Further, some canisters were unmarked or contain as low as ISO 100 type film. Also the structural modifications he found included gear teeth which had been melted onto the plastic spool of the film canister apparently using a hot iron, various tapes used to secure the rear body to the main case and close openings in the film path and changed film advance wheels. Also on several occasions when attempting to remove film from the canister, McNorrill found spilt and cracked film as well as scratches on the film. He also found one-time use cameras with replaced film advance wheels, such as certain OptiColor single use cameras. (CX-651, Q&A 11 to 15).

In July of 1998 McNorrill performed another set of tests of which the results are reported in CX-658. (*See also* CX-659 to 664). The tests were performed on 58 OptiColor, 52 Dynatec, 20 Achiever, 52 Jazz, 52 Linfa and 52 Fuji one-time-use cameras. Those results showed that the quality of the single use cameras was not significantly different from each other and considerably below that of Fuji's single use cameras. (CX-651, Q&A 16 to 26). In those tests McNorrill tested a sample of cameras using {REDACTED

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.} The purpose of those tests was to determine if the cardboard cover affected light tightness and therefore provided a light shielding function to close holes in the film patch as a result of the reassembly. McNorrill testified that the overall results of this testing showed that the cardboard inner carton has a significant function in shielding light; that the results for single use cameras with the cut board (cardboard) cover were that 2 out of 18 cameras tested had an unacceptable level of light fog, whereas the results for the "naked" single use cameras showed that 11 of the 18 had an unacceptable level of light fog; and that light fog is a deterioration of picture quality due to exposure of the film from a light source other than through the picture taking lens. (CX-651, Q &A 16-19).[61]

In the July 1998 tests, while McNorrill found that of the 12 OptiColor cameras tested for usage quality all 12 produced good quality images (CX-658 at Test Item No. 6) and of 10 OptiColor cameras used to test shutter speed, all ten were within Fuji's own stated range for acceptable shutter speed (*Id.*, at Test Item 7), he found the following defects in the

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61. McNorrill noted Fuji tests its single use cameras without the inner cardboard wrapper in place at a substantially lower light intensity than the test with the inner cardboard wrapper in place in recognition of Fuji's understanding that the inner cardboard wrapper can contribute to light tightness.

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OptiColor single use camera, but not in the Fuji single use cameras (CX-659, CX-651, Q&A 21):

> 3 of 12 exhibited severe light leak problems after exposure to high intensity light, apparently due to structural defects (leaks) in the camera body (CX-660).
>
> 1 of 8 showed light leak after a {REDACTED} drop and then exposure to a relatively lower light intensity, indicating weakened structural integrity;
>
> 2 of 14 had a loose battery or shifted counter after a repeated drop test, indicating weakened structural integrity; and
>
> 3 of 24 had either the first or last pictures cut off.

With respect to Dynatec's "remanufactured" single use cameras, McNorrill, referring to his July 1998 tests, testified that for four out of the eight tests conducted, "each one of the Dynatec's passed." (McNorrill, Tr. at 1536). However Fuji subjected different Dynatec single use cameras to eight different tests. In those tests McNorrill found (1) Two out of the ten Dynatec single use cameras tested failed the light shielding test with the cardboard cover; (2) Four out of six Dynatec single use cameras failed the light shield test without the cardboard cover and the shutter blades stuck in one of these cameras; (3) All eight Dynatec single use cameras passed the first drop test; (4) All fourteen Dynatec single use cameras passed the second drop test; (5) Eleven of twenty-four Dynatec single use cameras failed the film counter

accuracy test; (6) Two of ten Dynatec single use cameras exhibited shutter malfunctions causing overexposure of images in the image quality test; (7) The shutter blades stuck in two of ten Dynatec single use cameras during the shutter speed evaluation test; and (8) The average flash recycle time for the first and 27th shot of Dynatec single use cameras was outside of Fuji's standard. Different cameras were used for each test. (CX-658).

McNorrill also, in his July 1998 tests, found the following defects in the Jazz single use cameras, but not in the Fuji single use cameras (CX-651, Q&A 23):

> 4 of 10 exhibited light leak problems (3 severe) after exposure to high intensity light, apparently due to structural defects (leaks) in the camera body;
>
> 5 of 5 showed light leak after a {REDACTED} and then exposure to a relatively lower light intensity, indicating weakened structural integrity; blurred pictures apparently from a loosened film path were also observed (CX-657);
>
> 2 of 14 had a loose battery, distorted images or shifted counter after a repeated drop test, indicating weakened structural integrity;
>
> 5 of 24 had picture number errors;

1 of 10 had poor picture quality resulting from a dirty lens (CX-662); and

1 of 10 had a stuck shutter blade.

McNorrill, in his July 1998 tests, further tested the quality of various brands of "remanufactured" single use cameras including Jazz, Linfa, Achiever, OptiColor and Dynatec and he also checked two of each type of single use camera with no cut board at {REDACTED} (the standard test for cameras with the cardboard cover). His results were as follows (CX-651, Q&A 24):

a. The Fuji LFFPs substantially showed no fog on either roll of film (CX-663);
b. Jazz single use cameras showed severe fog on both rolls of film;
c. The Linfa single use cameras showed severe fog on one roll of film and substantially no fog on the other;
d. The OptiColor single use cameras showed severe fog on both rolls of film; and
e. The Dynatec single use cameras showed severe fog on both rolls of film

Those results showed to McNorrill diminished light tightness of the "remanufactured" single use cameras compared to that of the original Fuji single use manufactured cameras. McNorrill further observed that based on his testing of "remanufactured" third party one-time-use cameras such as those of respondents' OptiColor, Jazz and Dynatec, after the welds, which hold the main body and rear cover together,

are broken and the main body and rear cover (only the film roll door portion of the rear cover in the case of Dynatec) are reassembled by being taped back together, the resulting single use camera did not ordinarily have the same strength, durability or light tightness as the original welded single use camera; and that while before welding the rear cover and main body of new Fuji one-time-use cameras are held together by hooks or clamps that engage in aligned holes, in the main bodies and rear covers of the remanufactured OptiColor and Jazz one-time-use cameras many of the hooks or clamps had been broken during "remanufacturing", especially in the case of OptiColor, which to McNorrill was an indication that the rear cover was pried open or the hooks and clamps were otherwise displaced with excessive force. McNorrill concluded that the tested "remanufactured" single use cameras were different in terms of quality and characteristics compared to an originally made Fuji QuickSnap brand one-time-use camera. (CX-651, Q&A 25 to 27).[62]

In addition to the work done by Fuji's McNorrill, the administrative law judge finds credible testimony from David M. Snook who testified at the hearing. Snook is the manager of worldwide recycling for the single use camera business of Eastman Kodak Company. (CX-700, Q&A 2-3). In 1997 Kodak became aware that certain third party companies were acquiring spent Fuji and Kodak single use cameras from photo finishers, "remanufacturing" the spent single use cameras and selling the "remanufactured" products as new

62. Jazz's own technical expert Hiedke testified that he would not be confident in getting twenty-seven usuable shots out of a Jazz camera. (*See* Tr. at 3119, 3329 to 3331).

single use cameras. {REDACTED

.} (CX-700 Q&A 24-26).

The brand names on the {REDACTED} third party tested single use cameras by Snook were as follows: Jazz, Dynatec, Marc's, Arbor Drug, Rite-Aid, Focal, Wedding Camera and Party camera. (CX-700, Q&A 24, Q&A 27; CX-702 at 3). {REDACTED

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Respondents argued that even setting aside the "legal irrelevance" of quality evidence, the realization is reached that Fuji's evidence, rather than establishing the allegedly poor quality of respondents' LFFPs, only highlights the

impossibility of using "quality" as a criteria for the repair reconstruction determination and reconfirms that such evidence of "quality" should be rejected. (JOBr at 119). It is argued that although there might be minute differences in quality between reloaded single use cameras sold by respondents and Fuji, there would be no significant differences that would be perceivable to the average consumer (JORCFF 2100) and that McNorrill's tests are not probative as (1) they are attempting to hold "repaired" cameras to the standards of new cameras,[63] (2) the tests indicated that Jazz cameras might not work if repeatedly dropped from a high height, and (3) some of McNorrill's tests were not even the standard tests for new cameras, but instead were "Larry Rosenthal's tests" (JORCFF 2096). However as McNorrill testified he used in his tests the "procedures and equipment normally used to test one-time-use cameras from the assembly line." (CX-651-Q&A 10).[64] There is in evidence test reports on testing of respondents' cameras obtained from respondents. (CX-876). However *no* individual from any third party testing lab appeared on behalf of respondents, *no* standards used to evaluate the pictures in said reports were set forth by respondents, nor were examples of the photographs referenced in said reports shown. *See* Lorenzini, Tr at 2959-2965. Moreover while OptiColor's Lass testified that in engaging potential

63. It appears that this argument admits that the "remanufactured" single use cameras of Jazz and OptiColor are inferior in quality to new LFFPs.

64. CX-652 are the Fuji operating standards for McNorrill's tests. (CX-651, Q&A 5). The results of those tests are specifically set forth in CX-654. (CX-651 Q&A 12).

customers as part of the process of obtaining new accounts one of the first things that is done is to send samples to the prospective buyer (Tr. {REDACTED

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Respondents, involved in the alleged "remanufacture," have taken the position that the quality of their cameras is high because the complaints are low. (Lass Tr. at 2002). However if for example a consumer buys a Fred Meyer OptiColor single use camera and shoots the roll of film and brings it to a photo processor the consumer gets back the pictures and negatives. The consumer does not get back the camera. Nothing on the negative identifies that the camera used was a Fred Meyer camera and nothing indicates that OptiColor was connected with the cameras since OptiColor does not put its name on its products because it is primarily in the private label business. Thus if any complaint was made it would have been made to Fred Meyer and OptiColor's Lass had no personal knowledge of the exact procedure at Fred Meyer for dealing with customer complaint. (Tr. at 2002 to 2004).

Respondents Jazz and OptiColor have also argued that the skyrocketing sales of their LFFPs "attest to their acceptance by consumers." (JOBr at 125; JOFF 48; JORCFF 2127). Complainant, in response and relying on Snook Tr. at 1240-1241, 1257-1258, argued that there is no reliable evidence regarding the sale of remanufactured LFFPs, compared to the overall market. (CRRJFF 48). Assuming the evidence supports the argument of Jazz and OptiColor, it is a fact that respondents' single use cameras cost less than newly manufactured single use cameras. *See* section XIII, *infra*. Hence any commercial success can be due to the lower cost.

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While it is a fact that Fuji has received complaints about the quality of its own originally manufactured single use cameras, including complaints about the film advance problems, flash errors and failures, light leakage, scratched lenses or lenses with foreign particles, scratched film, skipped frames, shutter problems, and cameras that do not produce all exposures (ROCX-44; Fukano Tr. at 1340; ROCX-26 at 169-170), the administrative law judge finds that the basis for Fuji's argument that the single use camera was not designed for repeated use because there is "significant deterioration of picture quality with reuse" is borne out by the controlled tests conducted by Snook and McNorrill. Thus the administrative law judge concludes that a difference in quality between newly manufactured single use cameras and the alleged "remanufactured" single use cameras further supports the finding that Fuji did design its single use cameras with the intent that they should be disposed of after the single use by the purchaser from complainant and its licensees.

C. Conclusion

Based on the foregoing, the administrative law judge finds that the respondents, involved in the alleged "remanufacture" of single use cameras sold by complainant and its licensees and which have already had one roll of film exposed by the original purchaser, have not sustained their burden in proving by clear and convincing evidence that their "remanufacture" is a permissible repair. Rather the administrative law judge finds that the evidence established that those respondents are effectively recreating the patented single use camera of complainant and its licensees, and hence are involved in impermissible reconstruction.

D. Implied License

Federal Circuit precedent establishes that the purchaser's implied license to use a product includes the right to repair that product. Thus, the Court in *Sandvik* stated:

> [W]hen Sandvik sold its patented drills to its customers *it granted them an implied* license to use the drill for its useful life . . . *and the implied license to use includes the right to repair the patented drill.*

Sandvik, 121 F.3d at 672 (Emphasis added). Furthermore the Court in *Kendall Co. v. Progressive Medical Tech. Inc*, 38 U.S.P.Q.2d 1917, 1920 (Fed. Cir. 1996) stated:

> When Kendall sold its patented SCD system to its customers it granted them an implied license to use the device for its useful life . . . *That implied license to use included the right to repair the patented article* and necessarily to purchase repair parts from others. (Emphasis added).

However, the Court in *Sandvik* made clear the implied license to use does not include the right to reconstruct. 121 F.3d at 673. *See* also *Hewlett* 123 F.3d at 1451.

The respondents, who remanufacture single use cameras, are not original purchasers as was the case in *Sandvik*, *Kendall* and *Hewlett*. However, the administrative law judge finds that question of whether the implied license to use the single use camera can transfer to those respondents, who are not original purchasers is moot, in view of the fact that the remanufacture involved impermissible reconstruction.

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VIII. Infringement ('649 Patent)

Complainant has accused one or more respondents of infringing claims 1 and/or 9 of the '649 patent. Specifically, complainant has accused the following respondents of infringing claim 1 of the '649 patent:

Ad-Tek, Type 1;
Argus, Types 4, 5, 6, 8A, Undefined (with features from 4 and 8A);
Boecks, Type 4;
Boshi, Types 2, Undefined (with features similar to type 2 and 6);
China Film, Types 2, 3 and 4;
Dynatec, Types 4, 7, 7A and Undefined (with features of types 2 and 4);
Fast Shot, Type 1;
Forcecam, Type 4;
Jazz, Types 2, 3, 4, 8 and Undefined (with features similar to type 6);
Klikit, Types 4 and 6;
Linfa, Type 1;
OptiColor, Types 2, 4 and 6;
Penmax, Types 4 and Undefined (with features similar to type 5);
PhilmEx, Type 4;
Rainbow, Type 2;
Rino, Type 4;
Sakar, Types 2, 4 and Undefined (with features similar to types 2 and 4);
T.D.A., Type 5; and
Vantage, Type Undefined (with features similar to types 1-5 and 8).

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Complainant has also accused the following respondents of infringing claim 9 of the '649 patent:

Achiever, Type 6;
Argus, Types 4, 5, 6, 8A, Undefined (with features from 4 and 8A);
Boshi, Types 2, Undefined (with features similar to type 2 and 6);
Dynatec, Types 4, 7, 7A and Undefined (with features of types 2 and 4);
Haichi, Type Undefined;
Jazz, Types 2, 3, 4, 8 and Undefined (with features similar to type 6);
Klikit, Types 4 and 6;
OptiColor, Types 2, 4 and 6;
PSI, Type 7A; and
Vivitar, Type 6.

Complainant has the burden of proving, by a preponderance of the evidence, that said claims 1 and/or 9 are infringed by the accused process. *See supra*.

Claim 1 of the '649 patent recites a film insertion method that requires a dark room. With this method, the free end of the film extending from a manufactured film cartridge is, while in a darkroom, wound from the cartridge into a roll. The trailing end remains attached to the spool within the cartridge. The newly formed roll, the now empty cartridge and the film extending therebetween are inserted into respective recesses in the main body section of the LFFP across the exposure opening of the LFFP. The back cover is then installed and sealed to render the entire LFFP — now loaded with unexposed film — light tight. (CX-5, Claim 1).

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Claim 9 of the '649 patent recites an alternate film insertion method that, unlike the method of claim 1, does not require a dark room during the actual loading process. Specifically, the method of claim 9 requires that a film containing cartridge be installed into the film cartridge chamber of an LFFP body. The free end of the film extending from the cartridge is then attached to a spool which is placed into the unexposed film roll receiving chamber on the LFFP on the opposite side of the exposure opening. The back cover is then installed and secured, however, leaving one end of the spool exposed outside the LFFP body. The spool contains a means for coupling to a winding mechanism which is applied to the exposed spool end for winding the unexposed film into a roll in the film roll receiving chamber within the LFFP. (CX-5, claim 9).

As seen *supra*, the distinction between claim 1 and 9 is that claim 1 is performed in a darkroom and the film is wound out of the cartridge outside of the LFFP body and then the film and cartridge are inserted and the LFFP body is shut. In contrast, in claim 9, which is performed in the light, the film is attached to the spool outside of the camera but then the film and cartridge are inserted into the LFFP body and the film is wound out of the cartridge after the LFFP rear cover has been shut.

A. Claim Interpretation

The '649 patent is based on U.S. Serial Number 314, 215 filed on February 22, 1989 (CX-5) and was the fourth U.S. application filed among the underlying patents in issue. Claims 1 and 9 in issue read:

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1. A method for assembling a lens-fitted photographic film package which comprises a light-tight casing comprising a main body section having an exposure opening therein and a back cover section, a rolled film disposed on one side of said exposure opening, and a light-tight container disposed on the opposite side of said exposure opening from said rolled film, said container having a film winding spool to which is attached one end of said rolled film, said method comprising the steps of:

winding a film withdrawn from said light-tight container in a roll in a darkroom;

loading said film in a roll and said light-tight container from which said film was withdrawn into separate receiving chambers formed in one of said sections of said light-tight casing of said lens-fitted photographic film package; and

fixing said back cover section to said main body section so as to assemble light-tightly said lens-fitting photographic film package.

9. A method for assembling a lens-fitted photographic film package which comprises a light-tight casing having an exposure opening, a roll of unexposed film disposed on one side of said exposure opening, and a light-tight container disposed on the opposite side of said exposure opening from said film, said container having

therein a film winding spool attached to one end of said film, said method comprising the steps:

placing said light-tight container in which the greater part of said film is contained in a container-receiving chamber formed on said opposite side of said exposure opening in a main body section of said light-tight casing such *that a leader portion of said film withdrawn from said light-tight container is attached to a spool and is placed together with said spool in a film roll receiving chamber formed on said one side of said exposure opening in said main body section of said light-tight casing*;

fitting a back cover section to said main body section so as to form said light-tight casing, one end of said spool being exposed outside said light-tight casing;

temporarily connecting rotational apparatus to said exposed end of said spool;

winding a major portion of the length of said film on said spool in said film roll receiving chamber by rotating said spool by said rotational apparatus; and

disconnecting said rotational apparatus from said exposed end of said spool. (Emphasis added).

In dispute among Fuji, Achiever, PSI, Argus and the staff is the phrase "that a leader portion of said film withdrawn from

said light-tight container is attached to a spool and is placed together with said spool in a film roll receiving chamber formed on said one side of said exposure opening in said main body section of said light-tight casing" which is found only in claim 9 *supra*.

Respondents Achiever and PSI argued that the claimed phrase requires attachment of the leader portion of the film to the spool outside of the camera and then placement of the spool and attached leader portion together into the film roll receiving chamber and that the claimed invention should be so limited. Achiever and PSI further argued that the claimed phrase requires and the claimed invention is limited to a spool that remains in the film roll receiving chamber and thus is not removed. (ABr at 18-22). Achiever and PSI also argued, only at closing argument, that the term "spool" as used in the claim should be interpreted to mean "something that has flanges on both ends in general." (Tr. at 4221).

The staff argued that the claim language is not particularly clear as to the relative timing of the film attachment with respect to insertion of the film and spool in the receiving chamber. However, the staff argued that PSI's and Achiever's interpretation that the leader is attached to the spool outside the camera and then the spool and attached leader portion are placed together into the film roll receiving chamber "is reasonable" based on the claim language. The staff did not submit an argument concerning whether or not the claimed language should be interpreted to describe a spool that remains in the film roll receiving chamber and thus is not removed. (SRBr at 6).

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Complainant argued that a plain reading of the language of claim 9 reveals that there is no temporal or spatial limitation placed upon where or when the leader is attached to the spool, and that the claim only requires that the spool and leader both be placed in the film roll receiving chamber, and therefore does not require that attachment of the leader portion of the film to the spool occur outside of the camera. (CRBr at 14-16). Complainant also argued that the claimed language does not require that the spool remain in the film roll receiving chamber after the method steps are carried out. (CRBr at 16-18).

The language in issue in claim 9 states:

> that a leader portion of said film withdrawn from said light-tight container is attached to a spool and is placed together with said spool in a film roll receiving chamber formed on said one side of said exposure opening in said main body section of said light-tight casing.

That claim language describes the attachment of the leader portion of the film to the spool prior to describing the placement of the attached leader portion and spool together into the film roll receiving chamber. Thus the plain language of the claim discloses that the attachment of the leader portion of the film to the spool occurs *prior* to the placement of the attached leader portion and spool into the film roll receiving chamber. Furthermore, the administrative law judge finds that the use of the word "together" in the claimed phrase to describe the placement of the attached leader portion of the film and spool into the film roll receiving chamber indicates

that this attachment occurs *prior* to the placement of the leader portion and spool into the film roll receiving chamber.

Referring to the specification of the '649 patent, in describing Fig. 13, which is a cross sectional view of the lens-fitted photographic film package of Fig. 12, the specification states:

As is shown in Fig. 13, behind the taking lens 101 is a shutter mechanism 107 supported by an exposure frame 108. On the right hand side of the exposure frame 108 as viewed from the front of the main body section 100 of the film package, there is a film container receiving chamber 111 for receiving a light tight film container 110. On the other hand, on the left hand side of the exposure side frame 108, there is a film-receiving chamber 112. In the film-receiving chamber 112 is a spool shaft 113 supported for rotation. *The film which is not yet exposed is wound up around the spool shaft 113. The leading end 21a of the film 21 is attached to a spool 114 supported by the film container 110 for rotation.* The part of the film 21 between the film receiving chamber 112 and the film container 110 in the film-container-receiving chamber 111 passes behind the exposure frame 108. (Emphasis added) (FF 179).

The specification of the '649 patent also states:

> According to the above-described construction, the lens-fitted film package is assembled in the following way. *At first the film container 110 with the leading portion of the film 21 withdrawn and the trailing end fixed to the spool 114 is loaded in*

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> *the film container receiving chamber 111 of the main body section 100. After fixing the end of the leader portion of the film 21 to the spool shaft 113 of the film-receiving chamber 112, the back cover section 119 is fixed to the main body section 100 so as to form a light-tight rectangular box-shape film package.* Then a screw driver, for example, is inserted through an opening formed in the bottom wall of the main body section 100 to engage with the groove 113a at the spool shaft 113, thereby turning the spool shaft 113 in the counter clockwise direction as viewed in FIG. 13 in order to wind up the film 21 around the spool 113 in the film-receiving chamber 112. This film winding operation can be formed in the day-light because the film package is maintained light-tight. (Emphasis added) (FF 180).

Thus, the discussion of the method of the '649 patent in the specification is *silent* as to the location of the spool during the attachment of the leader, and the specification has *no* spatial or temporal limitations on the attachment of the film leader to the spool and placement of the attached leader portion and spool into the film roll receiving chamber. Therefore the administrative law judge finds that the specification does not conflict with the interpretation of the literal language of claim 9 that the leader portion of the film is attached to the spool outside of the camera and then the leader portion of the film and the spool are placed together into the film roll receiving chamber.

The administrative law judge rejects respondents Achiever's and PSI's argument that the language of claim 9

requires that the spool remain in the film roll receiving chamber. After placement of the attached leader portion of the film and the spool into the film roll receiving chamber, the next steps, according to claim 9 are:

> fitting a back cover section to said main body section so as to form said light-tight casing, one end of said spool being exposed outside said light-tight casing;
>
> temporarily connecting rotational apparatus to said exposed end of said spool;
>
> winding a major portion of the length of said film on said spool in said film roll receiving chamber by rotating said spool by said rotational apparatus; and
>
> disconnecting said rotational apparatus from said exposed end of said spool. (Claim 9 *supra*).

The language of the claim does not contain any requirement that the spool remain in the film roll receiving chamber. Moreover, the specification does not require that the spool remain in the LFFP after the method steps are carried out, but rather merely recites that the spool is utilized to wind the film into the film roll receiving chamber. Thus, the specification states:

> a screwdriver, for example, is inserted through an opening formed in the bottom wall of the main body section 100 to engage with groove 113A of

> the spool shaft 113, thereby turning the spool shaft 113 in the counterclockwise direction as viewed in Fig. 13 in order to wind up the film 21 around the spool 113 in the film receiving chamber 112. (FF 180).

Furthermore, the administrative law judge finds that the file history does not disclose whether the spool should remain in the film roll receiving chamber after the method steps of claim 9 are carried out.

The administrative law judge further rejects Achiever's and PSI's argument that the term "spool" as used in the claim should be interpreted to mean "something that has flanges on both ends." While figure 14 of the '649 patent shows the spool with a tab on the top and a screw head like structure on the bottom and nothing on the shaft in between, the administrative law judge finds nothing in the specification that describes the spool as having or requiring flanges. Furthermore, he finds nothing in the file history that describes the spool as having or requiring flanges.

Based on the foregoing, the administrative law judge interprets claim 9 as not requiring that the spool have or require flanges and remain inside the film roll chamber after the method steps of claim 9 are carried out.

B. Claim 9 And Accused Newly Manufactured Single Use Cameras

As to newly manufactured cameras, complainant has alleged that Achiever manufactures type 6 cameras that

infringe claim 9 of the '649 patent and that respondents PSI, Vivitar, OptiColor and Argus sell Achiever's newly manufactured LFFP and that, therefore, said respondents also infringe claim 9 of the '649 patent. Specifically, the complainant argued that a simple review of the video of the Achiever factory, and the Chan testimony, clearly indicates that all of the steps of claim 9 of the '649 patent are carried out in loading a type 6 LFFP without a spool, notwithstanding the fact the spool may be ultimately removed; and that, thus, all Achiever LFFPs, whether supplied with or without a spool, infringe claim 9 of the '649 patent. (CBr at 70).

Only respondent Achiever set forth an argument regarding infringement of claim 9 of the '649 patent. Achiever argued that it uses three independent methods of loading the film; the spool method, the cartridge method and the spool less method. It further argued that the spool method does not infringe because the spool is positioned inside the LFFP body not outside when the film leader is attached; that the cartridge method does not infringe because the pin tool utilized to wind the film does not remain in the film receiving chamber after the method steps are carried out; and that the spool less method does not infringe because the pin tool does not remain in the film receiving chamber and because the film leader is attached to the spool while the spool is inside the LFFP body. (ABr at 32). Achiever also argued that prosecution history of the '649 patent creates a prosecution history estoppel that applies to limit the scope of the doctrine of equivalents. (ARBr at 10).

Achiever set forth findings of fact concerning the processes used in its spool, cartridge, and spool less methods

of loading film. (AFF 184, 185, 186, 187, and 188). Complainant did not object to these findings of fact as they relate to Achiever's single use cameras made in China. The administrative law judge finds, based on Achiever's finding of fact 185, that the Achiever spool method occurs outside of a dark room and involves the following steps:

A. The camera is positioned with its rear cover removed and the rear interior of the main camera body facing the assembly so as to provided access to the film canister chamber and the film roll receiving chamber;

B. the spool is placed in the film roll receiving chamber;

C. the film canister is placed in the film canister chamber with a portion of the film, referred to as the leader, extending out of the canister;

D. the leader of film is inserted into an axial slot formed in the central shaft of the spool;

E. the spool is turned slightly to begin the winding of the film around the spool;

F. the back cover is placed on the main camera body and the hatch is placed in the bottom opening below the film canister chamber, thus forming a light-tight casing;

G. a power screwdriver is then connected to the exposed end of the spool, which provides a standard screw head for rotation;

H. the spool is rotated counter-clockwise with the power screwdriver to withdraw the film from the canister spool; and

I. the power screwdriver is removed from the spool end.

The administrative law judge also finds that, based on AFF 188, the cartridge method involves the following steps:

A. the camera is positioned with its rear cover removed and the rear interior of the main camera body facing the assembly so as to provided access to the film canister chamber and the film roll receiving chamber;

B. the leader of film from a 35mm film canister is inserted into the axial slot of a pin tool having a slotted shaft and a screw head;

C. the pin tool is place laterally in a plastic cartridge similar to a 35mm film canister but sized to fit in the film roll receiving chamber, with the film leader extending from the slotted shaft of the pin tool, through the mouth of the plastic cartridge, over to the 35mm film canister.

D. the film canister is placed in the canister chamber with a portion of the film, referred to as the leader, extending out of the canister to the plastic cartridge;

E. the plastic cartridge with the pin tool is placed in the film roll receiving chamber;

F. the back cover is placed on the main body and the hatch is placed in the bottom opening below the film canister chamber, thus forming a light-tight casing;

G. a power screwdriver is then connected to the screw head of pin tool;

H. the pin tool is rotated counter-clockwise with the power screwdriver to withdraw the film from the canister, leaving only a portion of the film in the canister secured internally to the canister spool;

I. the power screwdriver is removed from the pin tool;

J. the camera is then placed in a "dark bag," that is, a black bag that prevents the entry of light;

K. the pin tool is removed from the camera, leaving a small hold previously occupied by the pin tool shaft;

L. in the dark bag, a plug is inserted to close up the hole; and

M. the camera is removed from the dark bag.

The administrative law judge further finds, based on AFF 187, that the spool less method of loading film involves the following steps:

a. the camera is positioned with its rear cover removed and the rear interior of the main camera body facing the assembly so as to provided access to the film canister chamber and the film roll receiving chamber;

b. a pin tool having a slotted shaft and a screw head is placed in the film roll receiving chamber;

c. the film canister is placed in the film canister chamber with a portion of the film, referred to as the leader, extending out of the canister;

d. the leader of film is inserted into an axial slot formed in the shaft of the pin tool;

e. the pin tool is turned slightly to begin the winding of the film around the pin;

f. the back cover is placed on the main camera body and the hatch is placed in the bottom opening below the film canister chamber, thus forming a light-tight casing;

g. a power screwdriver is then connected to the scree head of pin tool;

h. the pin tool is rotated counter-clockwise with the power screwdriver to withdraw the film from the canister, leaving only a portion of the film in the canister secured internally to the canister spool;

i. the power screwdriver is removed from the pin tool;

j. the camera is then placed in a "dark bag," that is, a black bag that prevents the entry of light;

k. the pin tool is removed from the camera, leaving a small hole previously occupied by the pin tool shaft;

l. in the dark bag, a plug is inserted to close up the hole; and

m. the camera is removed from the dark bag.

The administrative law judge rejects Achiever's argument that the spool method of loading does not infringe claim 9. Specifically, Achiever argued that in demonstrating the spool method during his live testimony, Mr. Chan showed that the spool is positioned in the film roll chamber when the leader is attached; and that this method avoids infringement of claim 9 of the '649 patent which requires a spool outside the film roll chamber when the film leader is

attached to the spool. (ABr at 32). The administrative law judge interpreted the language of claim 9 of the '649 patent as requiring that the leader portion of the film be attached to the spool outside of the camera and then the leader portion of the film and the spool are placed together into the film roll receiving chamber, *see* interpretation section *supra*. However, the administrative law judge finds that the attachment of the leader portion of the film to the spool whether done outside the camera body or inside the camera body, as is done by Achiever, is an insubstantial change from the method of claim 9 of the '649 patent, because the administrative law judge finds that the spool method of loading the film used by Achiever performs substantially the same function (to load the film), in substantially the same way (attaching a leader portion of the film withdrawn from a light tight container to a spool), and obtains substantially the same result (the film is wound around the spool as it resides in the camera with the rear cover shut). *See Datascope* and *Lemelson*, *supra*.

The administrative law judge further rejects Achiever's argument that the cartridge method does not infringe claim 9 of the '649 patent. Achiever argued that in explaining the steps of the cartridge method of loading film, Mr. Chan explained that the cartridge is temporarily equipped with a pin tool; that although the film leader is attached to the pin tool outside of the film roll receiving chamber, the pin tool does not remain in the cameras; and that, therefore, the cartridge method does not meet the limitation of claim 9 of the '649 patent in view of the absence of a spool permanently resident in the film roll receiving chamber. (ABr at 32). The administrative law judge interpreted the language of claim 9

of the '649 patent as *not* requiring that the spool remain inside the film roll chamber after the method steps of claim 9 are carried out, *see* claim interpretation *supra*. Thus, Achiever's argument that it does not infringe because the pin tool does not remain in the film roll receiving chamber is rejected. Furthermore, the administrative law judge finds that the use of a "pin tool" as opposed to a spool is an insubstantial difference, because the "pin tool" performs the same function as the spool. Thus, the administrative law judge finds that the use of a "pin tool" in loading the film performs substantially the same function (to load the film), in substantially the same way (attaching a leader portion of the film withdrawn from a light tight container to a spool), and obtains substantially the same result (the film is wound around the spool as it resides in the camera with the rear cover shut). *See Datascope* and *Lemelson*, *supra*.

The administrative law judge further rejects Achiever's argument that the spool less method does not infringe claim 9. Specifically, Achiever argued that the spool less method of loading film also utilizes a pin tool, but the leader of the film is attached to the end of the pin tool when the pin tool is positioned in the film roll receiving chamber, not outside of it; that in addition to receiving the leader portion while placed in the film roll receiving chamber, the pin tool, like the pin tool in the cartridge method, does not remain in the light tight container after loading is complete; and that, therefore, because the spool less method fails to provide two aspects of claim 9 of the '649 patent, the spool less method does not infringe. (ABr at 32). As noted *supra*, the administrative law judge finds that the attachment of the leader portion to the spool while it is resident in the LFFP body is an insubstantial

change; that the use of a "pin tool" as opposed to a spool is also an insubstantial change; and that the fact that the pin tool does not remain inside the film roll receiving chamber is not relevant in light of the administrative law judge's interpretation of the language of claim 9 of the '649 patent.

Moreover, the administrative law judge finds that there is no prosecution history estoppel limiting the application of the doctrine of equivalents. Original claim 31, which ultimately became claim 9 of the '649 patent, did not contain the "placed together" language, but read as follows:

> 31. A method for assembly a lens-fitted photographic film package which comprises a light-tight casing having an exposure opening, a rolled film disposed on one side of said exposure opening, and a light-tight container disposed on the opposite side of said exposure opening from said rolled film, said container having therein a film winding spool attached to one end of said rolled film, said method comprising the following steps:
>
> placing said light-tight container in which the greater part of said film is contained in a film-container-receiving chamber formed on said opposite side of said exposure opening in a main body section of said light-tight casing;
>
> *attaching a leader portion of said film withdrawn from said film container in a spool provided in a film roll receiving chamber formed on said one side of said exposure opening in said main body section of said light-tight casing:*

> fitting a back cover section to said main body section so as to make said lens-fitted photographic film package light-tight; and
>
> rotating from outside said package said spool in said film roll receiving chamber so as to wind said film around said spool. (Emphasis added) (FF 161).

Original claim 31 was rejected by the Patent Office under 35 U.S.C. § 103 based on U.S. Patent No. 4, 397, 535 to Harvey. (FF 163). The examiner stated:

> Claims 31-32 are rejected under 35 U.S.C. § 103 as being unpatentable over Harvey. Harvey teaches (figure 1) a film package comprising a light-tight casing 18 having an exposure opening 34, a roll of film enclosed in a light-tight container 10 (figure 1), film advancing means 194, and a back cover 28.
>
> Light-tight casing 18 is received in chamber 22 and the film leader is attached to spool 110 and subsequently wound about the spool 110 by the advancing means 194. The method of Claims 31-32 would have been obvious over Harvey in that during use of the light-tight camera of Harvey, 35mm size film patrone 110 is inserted into chamber 22, the film leader of the film withdrawn from patrone attached to the spool 110, the back cover is closed, and the film is wound about the spool 110 from outside the package by advancing means 194. (FF 163).

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Subsequently, the applicants filed a Petition for Complete Action (FF 164) and the Examiner maintained the rejection of original claim 31 on the same basis as the previous rejection. (FF 165). Thereafter, the applicants, in an Amendment, to distinguish claim 31 over Harvey rewrote claim 31 as claim 37 which read in part as follows:

> 37. A method for assembling a lens-fitted photographic film package which comprises a light-tight casing having an exposure opening, a roll of unexposed film disposed on one side of exposure opening, and a light-tight container disposed on the opposite side of said exposure opening from said film, said container having therein a film winding spool attached to one end of said film, said method comprising the steps:
>
> placing said light-tight container in which the greater part of said film is contained in a container-receiving chamber formed on said opposite side of said exposure opening in a main body section of said light-tight casing *such that a leader portion of said film withdrawn from said light-tight container is attached to a spool and is placed together with said spool in a film roll receiving chamber formed on said one side of said exposure opening in said main body section of said light-tight casing*; (Emphasis added) (FF 170).

In Harvey, the film leader is not attached to the spool until after the back cover is closed. (FF 190, 191). As such, Harvey merely describes a common conventional camera

loading method in which: 1) the film cassette is inserted into the film supply chamber with the film leader lying along the guide rails (FF 190); 2) the cover is closed (FF 190); 3) a motor within the camera drives rollers that engage the film and advance the film leader into the take-up chamber and into engagement with film capturing posts (FF 191); and finally 4) the film is rewound back into the cartridge after the pictures are taken (FF 192). Thus, in connection with said Amendment in which the applicant rewrote claim 31 as claim 37, applicants argued that:

> the novel and unobvious subject matter set forth . . . consists in its broadest aspect in rotating from outside the package the spool in the film roll receiving chamber, by temporary engagement of a rotating apparatus with an exposed end of the spool, so as to wind the film around the spool prior to the exposure of any of the film. (FF 171).

The applicant thus distinguished Harvey based on the feature of unwinding the film before exposure through temporary engagement of an outside rotational device and did not address the timing of when the film is attached to the spool at all in the remarks. Thus, no prosecution history estoppel applies.

Based on the foregoing, the administrative law judge finds that the spool, cartridge and spool less methods of loading film used by Achiever Type 6 cameras infringes claim 9 of the '649 patent and that PSI, Vivitar, OptiColor and Argus, who are supplied Type 6 cameras by Achiever, infringe claim 9 of the '649 patent.

C. Claims 1 and/or 9 And Accused "Remanufactured" Single Use Cameras

Claim 1 of the '649 patent

As to "remanufactured" cameras that complainant alleges infringe claim 1 of the '649 patent, complainant argued that the evidence shows that the {REDACTED} factory loads its film in accordance with a method that infringes claim 1 and that those respondents that are supplied by the {REDACTED} factory, namely OptiColor, Jazz, Argus, Boecks, PSI, Sakar and Vantage also infringe claim 1; that the evidence shows that the Ginfax and Peji factories load film in accordance with a method that infringes claim 1; that Jazz, who is supplied by Ginfax and Peji also infringes claim 1 that the evidence shows that the Changzhou factory practices a method for loading film that infringes claim 1; that Dynatec, who is supplied by the Changzhou factory infringes claim 1; and that the evidence shows that the {REDACTED} factory apparently loads film in a manner that infringes claim 1 and that respondents Jazz, PhilmEX, China Film, PSI and Boecks who are all supplied by {REDACTED} infringe claim 1 of the '649 patent.[65] (CBr at 92).

Respondents BPS Marketing, Boshi, OptiColor, Jazz, Argus, PhilmEX, Boecks, PSI, Sakar and Vantage did not

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65. The administrative law judge notes that complainant's expert Bellows asserted that the Boshi factory method of loading also infringes claim 1 and that respondents Jazz, BPS Marketing, and Vantage, who are supplied by Boshi, infringe claim 1. (CX-725, Q&A 54). However, complainant did not assert infringement by the Boshi factory in its posthearing brief.

set forth any non-infringement argument at the hearing or in the posthearing submissions. Thus, only Dynatec and China Film argued non-infringement of claim 1 of the '649 patent.

(1) *Respondents BPS Marketing, Boshi, OptiColor, Jazz, Argus, PhilmEX, Boecks, PSI, Sakar and Vantage*

The administrative law judge finds that the {REDACTED} factory process includes the following steps: in a darkroom, the film is withdrawn from the canister and attached to a tool shaped like a spool; using a motor attached to the tool, the film is drawn from the canister and rolled onto the tool; the tool is removed; then the worker takes the roll of unexposed film and the canister and places the canister on the side of the camera which has the thumb wheel and takes the roll of unexposed film and places it on the opposite side of the taking lens in the other chamber; once the film is properly loaded and the sprocket teeth and film holes engaged, the back of the camera is fixed to the main camera body and checked by feel while still in the darkroom, tape is affixed to the camera to seal it. (CX-725, Q&A 52). The administrative law judge finds that this process reads on claim 1 of the '649 patent (CX-5, claim 1). Thus, the administrative law judge finds that complainant has sustained its burden in proving infringement of claim 1 of the '649 patent by said respondents who are supplied by {REDACTED}, namely OptiColor, Jazz, Argus, Boecks, PSI, Sakar and Vantage.

Regarding infringement of claim 1 of the '649 patent by the Peji and Ginfax factories, the administrative law judge finds that the process includes the following steps, in a dark box the film is pulled out of the film canister into a roll (this

step is done by hand at Peji and by a motorized tool at Ginfax), the roll and the canister are inserted into the LFFP body in their respective receiving chambers, the back door is closed with a rubber band and tape. (CX-725, Q&A 54). The administrative law judge finds that the processes of the Peji and Ginfax factories read on claim 1 of the '649 patent. (CX-5, claim 1). Thus, the administrative law judge finds that complainant has sustained its burden in proving infringement of claim 1 of the '649 patent by Jazz who is supplied by the Peji and Ginfax factories.

With respect to infringement of claim 1 of the '649 patent by the Boshi factory, the administrative law judge finds that the Boshi process includes the following steps, in a dark box, a tool is used to draw the film from the canister and is wound into a roll; the canister is fit into one part of the camera and the roll is fit into another; the film is wound while in the main body of the camera shell; the tool is removed from the roll after the film has been wound out; the back cover is then affixed to the main body and the film door is also affixed. (CX-725, Q&A 54). The administrative law judge finds that the only difference between the literal claim language and the method employed is that the film is placed into the main camera body and then wound out, as opposed to the film being wound out and then placed into the LFFP body. Bellows testified that this difference of winding the film out after the canister is placed in the LFFP body is an insubstantial difference in method steps. (CX-725, Q&A 54).[66] Thus, the administrative law judge finds the difference to be

66. None of the respondents supplied by Boshi argued that this difference in method steps renders the accused method non-infringing.

insubstantial because winding the film out of the canister in the LFFP performs the same function in the same way, *viz.* the film is unwound, and obtains the same result, namely the film is in a roll in the film roll receiving chamber. Therefore, the administrative law judge finds that the process of loading film used by the Boshi factory reads on claim 1 of the '649 patent. (CX-5, claim 1). Accordingly, the administrative law judge finds that the complainant has sustained its burden in proving infringement of claim 1 of the '649 patent by Boshi and those respondents who are supplied by Boshi, namely Jazz, BPS Marketing and Vantage.

(2) *Dynatec*

Although, Dynatec did not set forth any non-infringement argument with respect to claim 1 of the '649 patent in its posthearing briefs, it did set forth findings of fact on the non-infringement issue. Specifically, Dynatec argued that:

> the unwinding of the film from the film canister to the spindle can be accomplished either (1) with the release key from the One More Time Camera Kit (or equivalent tool) with the rear cover and side panel attached and therefore without the need of a darkroom or (2) by simply unwinding the film from the film canister onto the spindle in the dark, placing the unwound film and film canister into their respective chambers and closing the rear cover and side panel before bringing the camera into the light. (DFF68)

The administrative law judge finds that this finding of fact does not support a finding of non-infringement. Thus, the administrative law judge also finds that the Changzhou factory's process includes: winding unexposed film from a film canister onto a plastic spindle in a dark room, and then the spindle, which is full of film, and the film canister are positioned into their respective cavities; then the back panel and side film panel are reattached to the main body. (CX-725, Q&A 55, CPX-407). Furthermore, the administrative law judge finds that the only difference between the literal claim language and the method employed is that the film is placed onto a spindle. Bellows testified that the use of the spindle merely facilitates the winding of the film into a roll and is an insubstantial difference in method steps. (CX-725, Q&A 55).[67] The administrative law judge finds that the use of a spindle as opposed to a spool is an insubstantial difference because the spindle performs the same function in the same way, namely the film leader is attached to the spindle, and obtains the same result as the spool, namely the film is wound into a roll. Thus, administrative law judge finds that the process used by the Changzhou factory reads on claim 1 of the '649 patent. (CX-5, claim 1). Therefore, the administrative law judge finds that complainant has sustained its burden in proving that Dynatec, which is supplied by the Changzhou factory, infringes claim 1 of the '649 patent.

(3) *China Film*

China Film argued that when one views the videotape of the {REDACTED} process it is very clear that the

67. Dynatec did not argue that the use of the spindle rendered the accused process non-infringing.

{REDACTED} method is different from the method described in claim 1 of the '649 patent because the film is wound in a roll while inside the camera not outside and therefore does not read on claim 1 nor is it equivalent to claim 1. (ACSBr at 14).

The administrative law judge finds that there is insufficient evidence in the record to determine whether or not {REDACTED}'s process infringes claim 1 of the '649 patent. The videotape of the {REDACTED} process is a "bench" demonstration and therefore the administrative law judge gives no weight to the videotape. Moreover, the camera in the "bench" demonstration has a hole drilled through the bottom of the shell, however, none of the samples produced to Fuji by China Film had a hole drilled in the bottom of the film receiving chamber. (FF 335). Thus, the administrative law judge finds that the process demonstrated in the {REDACTED} videotape cannot be the same process that was used to reload LFFPs by the {REDACTED} factory.

35 U.S.C. § 295 states:

> In actions alleging infringement of a process patent based on the importation, sale, offer for sale, or use of a product which is made from a process patented in the United States, if the court finds-
>
> > (1) that a substantial likelihood exists that the product was made by the patented process, and
> >
> > (2) that the plaintiff had made a reasonable effort to determine the process actually used in the production of the product and was unable to so determine,

> the product shall be presumed to have been so made, and the burden of establishing that the product was not made by the process shall be on the party asserting that it was not so made.

The administrative law judge finds that there is a substantial likelihood that the {REDACTED} reloaded LFFPs were made by the process of claim 1 of the '649 patent. (CX-725, Q&A 56). The administrative law judge also finds that complainant has made a reasonable effort to determine the process actually used in the production of the {REDACTED} reloaded LFFPs. Thus, the administrative law judge finds that complainant is entitled to the presumption of 35 U.S.C. § 295 that the LFFPs reloaded by {REDACTED} were made by a process that infringes claim 1 of the '649 patent.

The administrative law judge rejects China Film's argument that the 35 U.S.C. § 295 presumption does not apply. (ACSBr at 10). As noted *supra*, the visit to the {REDACTED} factory involved a "bench" demonstration and, while the complainant was allowed to see some preload and postload activities, the complainant was not allowed to witness the actual reload process of China Film's product by the {REDACTED} factory because the {REDACTED} factory was not manufacturing China Film's product that day. China Film extended another offer for visitation of the {REDACTED} factory, but the offer was for visitation after the close of discovery and during the briefing of prehearing statements. Thus, the administrative law judge finds that complainant made a reasonable effort to obtain evidence, but that China Film did not provide adequate opportunity for complainants to do so. Moreover, China Film could have

provided a witness at the hearing to testify concerning the process involved at the {REDACTED} factory, but it did not. Therefore, the administrative law judge finds that the 35 U.S.C. § 295 presumption applies and China Film has not sustained its burden in proving that the process used by the Mass Chance factory does not infringe claim 1 of the '649 patent.

Based on the foregoing, the administrative law judge finds that Jazz, China Film, and P.S.I. infringe claim 1 of the '649 patent by selling LFFPs produced by Mass Chance.[68]

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68. The administrative law judge has found that the processes used by the particular respondents infringe claim 1 of the '649 patent. Thus, for example, he found that the San Harbor process infringes claim 1 and that those respondents who are supplied by San Harbor, namely OptiColor, Jazz, Argus, Boecks, PSI, Sakar and Vantage infringe claim 1. Bellows did testify that types 1, 2, 3, 4, and 5 of the accused LFFPs infringe claim 1 of the '649 patent "by inference." (CX-725, Q&A 59, 61, 62, 63, 63, and 64). Bellows also testified that when he uses the term "by inference" he means that:

> Well, in many cases I could not observe all of the methods used by Respondents or Respondents' suppliers to load film into the LFFPs sold by Respondents, so I inferred, based upon all of the evidence before me, that the method claimed must be performed. My inferences as to the method used to load film in accordance with a claim of the '649 patent are based on the examination of LFFP samples and consideration of the various descriptions of the types of manufacturing methods used by Respondents or their suppliers. (CX-725, Q&A 60).

Thus, in view of the fact that the respondents' processes described above infringe claim 1 of the '649 patent and in view of the fact that

(Cont'd)

Appendix A

Claim 9 of the '649 Patent

(1) *Dynatec*

Complainant has alleged that Dynatec infringes claim 9 of the '649 patent. Dynatec did not set forth any non-infringement argument with respect to claim 9 of the '649 patent in its posthearing briefs. Dynatec, however, did set forth findings of fact on the non-infringement issue. Specifically, Dynatec argued that:

> the unwinding of the film from the film canister to the spindle can be accomplished either (1) with the release key from the One More Time Camera Kit (or equivalent tool) with the rear cover and side panel attached and therefore without the need of a darkroom or (2) by simply unwinding the film from the film canister onto the spindle in the dark, placing the unwound film and film canister into their respective chambers and closing the rear cover and side panel before bringing the camera into the light. (DFF 68)

The administrative law judge finds that this finding of fact sheds little light on the process used by the Changzhou factory for loading the film, and that it does not support a finding of non-infringement. Furthermore, the administrative law judge finds that this finding does not support Dynatec's non-

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(Cont'd)

the variations in LFFP types are not directed to film loading methods and in fight of Bellows' testimony, the administrative law judge finds that these processes apply to each of types 1-5 of the accused LFFPs.

infringement argument since at the hearing Dynatec's Reed was unable to unwind the film from the film canister with the release key from the One More Time kit. (Tr. at 3563:21 -3564:7, 3595:20-3596:12). The administrative law judge also finds that the Changzhou factory's process occurs in the daylight, and involves putting the film cartridge in the main body section, pulling out the leader, attaching the leader to a spindle, then attaching the rear case, and using an electric screwdriver type device to rotate an exterior part of the spindle, which pulls the film out of the canister and winds it onto the spindle. (CX-725, Q&A 57). The administrative law judge finds that the only difference between the literal claim language and the method employed is that the film is placed onto a spindle. The administrative law judge finds that the use of a spindle as opposed to a spool is an insubstantial difference because it performs the same function, namely to facilitate the winding of the film into a roll, in the same way, namely, the film leader is attached to the spindle, and obtains the same result, namely the film is wound into a roll.[69] Therefore, the administrative law judge finds that the process used by the Changzhou factory reads on claim 9 of the '649 patent. Thus, the administrative law judge finds that the complainant has sustained its burden in proving infringement of claim 9 of the '649 patent by Dynatec.[70]

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69. Dynatec did not argue that the use of a spindle as opposed to a spool rendered the accused process non-infringing.

70. Bellows testified that Types 6, 7, 7A, 8 and 8A all infringe claim 9 by inference. (CX-725, Q&A 65-67). In view of the fact that the Changzhou factory, which supplies Dynatec, uses a method which infringes claim 9 of the '649 patent and the fact that the variations in LFFP types are not directed at film loading methods, the administrative law judge finds that the infringing process applies to Dynatec's Types 6-8A.

(2) *Jazz and Boshi*

While complainant's expert Bellows alleged that Jazz and Boshi infringed claim 9 of the '649 patent (CX-725, Q&A 75, 81), Bellows, when asked which respondents infringe claim 9 of the '649 patent, testified that only Dynatec, Achiever, PSI, Vivitar, OptiColor and Argus infringe claim 9, and excluded Jazz and Boshi from his answer. (CX-725, Q&A 58, 59). Moreover, complainant did not assert infringement of claim 9 by Jazz and Boshi in its posthearing briefs. Thus, the administrative law judge finds that complainant has not sustained its burden in proving that Jazz and Boshi have infringed claim 9 of the '649 patent.

Other Respondents and Claim 1 and/or 9

For those respondents which complainant has alleged infringe claims 1 and/or 9 of the '649 patent and who have been found in default, *see* Order Nos. 23 and 24, *viz*. Fast Shot, Haichi, Linfa, Forcecam and Rino, in view of the undenied allegations of the complaint, the administrative law judge finds that those respondents infringe claims 1 and/or 9.

With respect to those respondents which complainant has alleged infringe claims 1 and/or 9 of the '649 patent and who have responded to the complaint and notice of investigation, but did not participate at the hearing, *viz*. Ad-Tek, Klikit, PenMax, Rainbow, TDA and Vivitar, the administrative law judge finds that, in view of the fact that complainant was unable to obtain any evidence whatsoever concerning the accused process, those respondents also infringe claims 1 and/or 9 of the '649 patent. Thus, the

administrative law judge finds that respondent Ad-Tek infringes claim 1; that Klikit infringes claims 1 and 9; that Penmax infringes claim 1; that Rainbow infringes claim 1; that TDA infringes claim 1; and that Vivitar infringes claim 9.

Appendix A

Boshi

218. Jazz has four steady suppliers of LFFPs, *viz*. Peji, Ginfax, Boshi, and Vastfame, and has also given a spot order to Rino and an order to Mass Chance. (Lorenzini, Tr. at 2943).

219. Boshi is about 10 percent of Jazz's supply. (Lorenzini, Tr. at 2944).

220. Mr. Lorenzini, Jazz's President, has visited the Ginfax facility twice, the Peji facility once, and the Boshi facility once. (Lorenzini, Tr. at 2856).

221. Mr. Lorenzini and Mr. Burkhard went the Boshi factory and made a video recording, which was shot by Mr. Burkhard. The other two reloading facilities Mr. Lorenzini visited were not willing to allow a videotape to be made. (Lorenzini, Tr. at 2875-77).

222. The process of reloading done at the Boshi factory is shown in the videotape, which contains the index numbers in seconds on the screen, which are referenced below. (Lorenzini, Tr. at 2879; RJZPX 4).

223. At 13:14 on the video, shells are shown that have already been through an opening process in which most of the welds have been removed. (Lorenzini, Tr. at 2880).

224. At 21:93, a small screwdriver is used to take the front cover off to access the counter. (Lorenzini, Tr. at 2880).

225. At 49:11, a worker is shown with a razor blade in her hand. Mr. Lorenzini testified that he is not sure what she

is doing at that point, but she is either working with the counter or completing the opening of the take-up spool area. (Lorenzini, Tr. at 2880).

226. At 110:43, the front covers are snapped back on. (Lorenzini, Tr. at 2880).

227. At 130:76, a washer is slipped under the back to raise the back so there is room. (Lorenzini, Tr. at 2881).

228. At 143:98, a rework station is shown. (Lorenzini, Tr. at 2881).

229. At 210:03, cleaning the inside and outside of the camera with air is shown. (Lorenzini, Tr. at 2882-83).

230. At 219:68, a worker applies electrical power to the capacitor and tests the flash. (Lorenzini, Tr. at 2883).

231. At 250:87, a clip is put on the exterior of the camera to give an orientation so the film is spooled correctly in the darkroom. (Lorenzini, Tr. at 2884).

232. At an additional station, an operator picks up the camera, takes out the washer, puts film into the camera, and uses a block to extend the tongue of the film so it will be of sufficient length to reach into the take-up spool. (Lorenzini, Tr. at 2885).

233. At 409:97, the film has already been loaded into the camera and the door has been closed, and an operator tapes each edge of the camera. (Lorenzini, Tr. at 2888).

234. At 436:31, extra film doors can be seen, which are used when cameras without film doors are involved. (Lorenzini, Tr. at 2889).

235. At 531:10, Lorenzini testified:

> THE WITNESS: On this table, you will see actually two different implements that are used to help load the film or get the film from one chamber to another. What you see taped on the table, for lack of a better reference, I refer to them as fishhooks. Well, that fishhook is used to disengage the clutch on the gears in the rewind so it can be reverse wound when we put the film, the film gets wound in the chamber.
>
> The item that you see in the little pink tray is a little clip that goes on — that clips on to the end of the film that is in the small take-up chamber. The purpose of that clip will be at the next step when it goes into the dark box, they will roll through an automatic drive, the film out of the cassette into the second chamber, that will be driven by the small thing that's in the pink tray engaging with the — what do you call, drill spinner and it's able to spin backwards or counter-clockwise because this has disengaged the clutch.

236. At 602:82, an infrared video monitor of the dark box is shown, in which at the top a hand takes the camera to a little spinner that spins the film, and a second set of hands takes the spinning tool off of it. (Lorenzini, Tr. at 2891).

237. At 656:04, the batteries are placed in, and the fishhook and clip are removed. (Lorenzini, Tr. at 2891).

238. At a following step, a worker winds the flash, makes sure that the counter is set correctly, and flashes the flash to make sure the flash and the battery work. (Lorenzini, Tr. at 2892).

329. At 730:61, a worker is shown putting the decorative inner carton on the camera. (Lorenzini, Tr. at 2892-93).

240. At 753:20, another air brush is shown. (Lorenzini, Tr. at 2893).

241. At 823:07, a person at the top of the screen is shown putting the camera that now has with the inner box on it into a plastic sleeve. (Lorenzini, Tr. at 2893).

242. At 836:85, the plastic sleeve that was slipped over the camera in the previous frame is sealed around the camera. (Lorenzini, Tr. at 2893).

243. At 910:10, the outer box, or the box that the consumer sees, is put on the package. (Lorenzini, Tr. at 2894).

244. At 919:95, the final packing step is shown, with the worker preparing to place the product into the master cartons. (Lorenzini, Tr. at 2894).

245. At 925:26, an off-line quality control (QC) check for at least the battery is shown. Mr. Lorenzini did not know what other things that the inspectors may have been checking.

He testified that "[t]hey're probably checking the recycling time on the battery or the flasher." (Lorenzini, Tr. at 2895).

246. At 934:77, a table is shown where they are preparing the film to interface with the drive mechanism in the Fuji camera. Lorenzini testified:

> the Fuji camera has a little cog drive and film as it comes from the manufacturer does not have a cog drive so what they have to do is . . . the word we use in the industry is crimp the film, they have to put a small crimp in it. . . .
>
> At the top of the screen in front of the pink tray is just a little heater and it heats up these little crimp things. [An] operator picks those off of the little heat table, put[s] them into a small press, does two rolls at a time, and handles the little crimps with pliers because they're hot.
>
> The second operator . . . then takes the little warm crimping tool out of the film and just puts it back on the heater and it recycles. There's a third person that sits at the front of the table that keeps introducing new film and taking the old film off the table. (Lorenzini, Tr. at 2895-96).

247. At 1011:65, a drill press breaks the welds that Fuji puts on these cameras to make them difficult to open. (Lorenzini, Tr. at 2896).

248. At 1032:99, the operator is operating a drill press, opening the film take-up door and then reattaching the cover to the front of the camera. (Lorenzini, Tr. at 2897).

249. At the Boshi factory, the front covers are removed from the cameras twice during the process. (Lorenzini, Tr. at 2981).

250. Lorenzini testified as to the Boshi video (Tr. at 2980 to 2983):

> Q Will you go to 21:93. Actually why don't we play, continue to play the video, that's faster. Could we stop here at 24:82? 1 see on the table just above the end of the camera, in the hand of the worker, I see several black specs. Are those camera bodies, are those camera doors?
>
> A I don't believe so.
>
> Q Are they pieces of plastic that have fallen off during the process of removing the covers?
>
> A I don't believe so. I have no idea what they are, other than they look like dirty spots to me.
>
> Q How many times are the front covers removed from the cameras in this process?
>
> A Twice.
>
> Q And in each occasion, does the worker take care to release each of the many hooks separately?

A I think the worker tries to get the cover off as efficiently as they can. And I cannot testify to the care they take.

Q And is it also fair that the covers are separated from the bodies and are recounted at a later time but not necessarily the same body with the same cover?

A That's my observation, also.

Q And that's also true in the first separation of the bodies at —

A I'm not totally clear with that but the second one I agree.

Q Let's keep going. Could we stop here? And again, this work station has black spots also. Is that somebody going around with ink, is that your understanding or are they piece of plastic?

A I cannot testify just what they are.

JUDGE LUCKERN: We're at 50:48.

MR. ROSENTHAL: Keep going. Stop. Could we back up a little bit to — stop.

BY MR. ROSENTHAL:

Q At 56:50, we see the worker with what looks like a blade cutting something in the vicinity of the counter and shutter control mechanism; is that fair?

A It's also in the vicinity of the — of the spool, the take up spool.

Q And on that side of the take up spool, isn't the advance wheel located? We're not looking at the door side.

A Yeah, we are looking at the —

Q At the advance wheel side; is that correct? Is that correct, sir?

A We're looking at the front side near the take up.

Q Take-up wheel. And do you know if there's a weld in that location?

A I do not know. You'll have to ask someone else.

JUDGE LUCKERN: And you're looking at 56:50.

MR. ROSENTHAL: 56:50.

BY MR. ROSENTHAL:

Q Could some stop or release be cut at this point in the process?

A During my prior testimony, I mentioned I did not know exactly what she was doing at this step, whether she was resetting the counter or trying to facilitate ease of opening with that cutting some weld. I testified I don't know exactly what she's doing.

Q Do you know how long this particular assembly line has been functioning at Boshi?

A No, I don't.

Q Do you know whether or not Boshi has other assembly lines?

A I believe this is the Boshi's only reloaded single-use camera line.

251. At the Boshi factory, the camera is cleaned with an air gun with the back still attached to the front cover and partially open by a washer. Lorenzini's understanding of this "whole air brush thing" is to brush the dust off of it, in and out." (Lorenzini, Tr. at 2984).

252. According to Mr. Lorenzini, he "wouldn't eat off the floors of the Boshi factory. (Lorenzini, Tr. at 2984).

253. Mr. Lorenzini is not sure when the step of resetting the frame counter, *i.e.* the dial that tells one what from one is on, performed in the Boshi factory. (Lorenzini, Tr. at 2985).

254. The Boshi factory applies black tape to the camera body to help light-tightness. (Lorenzini, Tr. at 2985).

255. The empty camera body RJZPX 2 has a piece of plastic broken off by the film door which would need tape to make it light-tight. (Lorenzini, Tr. at 2986).

256. One of the welds that is cut at the Boshi factory is the door to the film take-up chamber. (Lorenzini, Tr. at 2992).

257. Fuji's expert, Alfred Bellows viewed the videos taken in the Boshi factory that reloads empty one-time-use camera bodies for Jazz and others. (Bellows, CX-725 at Q&A 95, 96, 97).

258. Regarding the videotape produced by Respondent Jazz at the Boshi factory, Exhibit CPX-470, Bellows characterized the first step in the process, although some activities at the end of the tape in fact precedes the first activity shown, was the first worker (worker 1) removing the empty single-use-camera body from a bulk shipping carton and placing it in a machine which appears to be grinding, sanding or milling down the Fuji Film logo on the cowl surrounding the taking lens. In the second step, the next worker (worker 2) takes the empty single-use-camera body and uses a chisel-like blade in a hand press to cut the side weld next to the film canister receiving chamber. The next worker (worker 3) removes the front cover from the empty

single-use-camera body in step 3, and then another worker (worker 4) takes the camera body without the front cover at this point and puts it in a hand press with a chisel-like blade which cuts the film door on the film receiving chamber in step 4. The front cover is then put back on the empty one-time-use camera body in step 5, although no effort appears to be made to match covers with bodies. (Bellows, CX-725 at Q&A 99-101). The administrative law judge has reviewed the video (CPX-470) taken at the Boshi factory and finds that Bellows' characterization of the Boshi process is accurate.

259. Bellows characterized that the following steps seemed to occur at a different part of the factory than the previously stated steps. Step 6 appears to be the next worker (worker 5) removing the front cover again by loosening the top side tab then the bottom side tab and then sliding the tool up underneath the cover by the flash unit on the top right corner of the one-time-use-camera body and forcing the front cover off of the body. The next worker (worker 6) takes some sort of slim tool which looks like a razor blade but may not be sharp and inserts the tool under the counter wheel and is either cutting or prying one of the mechanisms below the counter wheel in step 7. It is unclear from the video what this worker is achieving, but it may involve resetting the cam on the frame counter wheel to permit resetting the counter. The next step (step 8) is the placement of the front cover back on the one-time-use-camera body by worker 7. The rear cover is then pulled away from the main body at the comer near the advance wheel, with the rear cover still being partially held in place by two uncut welds. In step 9, a metal ring is then placed inside the film canister chamber holding the back cover apart from the middle body section by worker 8.

Appendix A

A worker is next shown removing tape from previously remanufactured one-time-use camera bodies but the role of this step in the process is unclear, so that I will not count this worker or step. The next worker (worker 9) tests the flash unit by charging and discharging the flash in step 10. The next step, step 11, one sees a worker (worker 10) with some sort of fastening mechanism in front of her, this step is not shown on the video, but a similar looking fastening device appears on the case of the LFFP as it progresses further down the line. (Bellows, CX-725 at Q&A 102).

260. Bellows characterized that in the next step, step 12, the worker (worker 11) measures the leader of film against a block and then, in step 13, places the film into the one-time-use camera body. The worker then manipulates the leader into the gap between the middle and back sections in step 14, then pulls out the metal ring which is holding the body open in step 15. In step 16, worker 12 tapes the body of the LFFP with both cellophane and black electrical tape. At this stage they also adhere new film doors where they are not present, which is step 17. At this stage, in the next step, step 18, a worker is also seen clipping off the engaging tabs on the film canister film door. The next worker (worker 13) using a small metal hook tool and a piece of black electrical tape, performs step 19 and takes a small tool and inserts the hook of it in between the film wheel and the engaging pawl and then pulls the hook back and tapes it down along the back cover of the empty one-time-use camera body. Mr. Bellows believes that this is one of the three steps necessary in order to disengage the stopping mechanism in order to reload film in the one-time-use camera body. (Bellows, CX-725 at Q&A 103).

Appendix A

261. Bellows characterized that the next stage is film loading. The film loading is done in a dark box with an infra-red camera showing what is occurring on a monitor. Before the camera is inserted into the black box, a spindle is inserted which engages the film in the film receiving chamber, in step 20; by worker 14. We are only shown a worker grabbing one of these spindles but not the actual insertion of the spindle and the engaging of the film leader. When the single-use-camera body is placed inside the dark box it is placed on a jig and pushed toward a machine which, in step 21, winds the film. The worker (worker 15) appears to turn the thumb wheel backward while the film is winding, which is step 22. The camera is then handed within the dark box to a second worker, worker 16 who in step 23 removes the spindle and the side clamp, step 24, and tapes the film receiving door shut in step 25. The hands of worker 17 are also visible on the video, facilitating the above steps. (Bellows, CX-725 at Q&A 104).

262. Bellows characterized that back in room light, in step 26, the next worker (worker 18) removes the fastening device, the taped tool, and inserts a battery. The next worker (worker 19) then tests the flash by charging the flash with the new battery in step 27 and shooting one frame with the lens covered with black cloth in step 28. Worker 20 then takes the camera and puts the cardboard inner covering on the loaded one-time-use camera body by placing the body within the cardboard, step 29, and affixing it with a hot glue gun, step 30. After the cardboard inner wrapper is placed on with hot glue, the entire body is then put in a cellophane wrapper in step 31 by worker 21, and sealed in step 32 by worker 22. The now remanufactured one-time-use camera is

then placed in an outer cardboard box in step 33, which box is also sealed with hot glue in step 34 by worker 23. (Bellows, CX-725 at Q&A 105).

263. Bellows characterized that in a preliminary step shown at the end of the video, is the alteration of the film canister which is performed by a group of three workers. The first (worker 24) prepares the canister spool for molding by placing a circular retaining ring around the circumference of the spool, step 35, so as to prevent deformation during the heat molding process. A next worker (worker 25) positions heated but loose dies which are used to mold the teeth to the inner circumference of the spool of the film cassette in step 36 so it can matingly engage with the teeth on the Fuji advance wheel. The heated dies are handled with pliers and placed into a tool which holds two film cassettes that have been equipped with metal retaining rings previously mentioned. The hot dies are forced by the tool into contact with the end of the spool of the film canister and using heat and pressure mold the aforementioned teeth into the spool of the film cassette. The molded film cassettes are then removed, allowed to cool for a few seconds, and passed to a third worker (worker 26) who removes the dies and the retaining rings from the film cassettes in step 37. The cassettes, now modified to fit remanufactured Fuji cameras, are now ready for loading into the camera in the process I just described. The tape then ends. (Bellows, CX-725 at Q&A 106).

Peji

264. The remanufacturing procedure at the Peji factory is described by Mr. Lorenzini and includes the following steps:

a. The Quicksnap is cut open at three points with some type of tool. (Lorenzini, Tr. at 2992:23-2993:17).

b. The camera is put into some type of mechanical fixture, a lever is pulled and the plastic is cut so that the back can be opened. (Lorenzini, Tr. at 2994:3-7).

c. After the camera is cut open in the fixture, factory workers check the flash, the kicker, the shutter and the film advance mechanism. (Lorenzini, Tr. at 2995:2-10). To check the flash, Peji inserts a battery into the battery compartment and presses the flash button and then the shutter to see if the flash fires. (Lorenzini, Tr. at 2995:17-23). After checking the flash, a cleaning step is performed and then the camera is sent to a loading area. (Lorenzini, Tr. at 2995-21-2996:4).

d. Loading the film takes place in a dark box. (Lorenzini, Tr. at 2996:10-17). Within the dark box, film is pulled from the canister into a roll, then the canister and film roll are placed back in the camera and a rubber band is used to hold the back cover so that tape can be put on. (Lorenzini, Tr. at 2997:5-17).

265. Jazz admits that steps a, b, c, and d in the preceding finding "accurately and fully describes the process utilized by the Peji factory in reloading LFFPs. (JORCFF 2263).

266. In Ginfax, also described by Mr. Lorenzini, the first step is to cut open the camera, then there is checking of the flash and film advance mechanism. Film is loaded in a dark box, in which a motor pulls the film out of the canister into a roll and then the roll and canister are placed into respective portions of the camera. (Lorenzini, Tr. at 3000:7-3001:12). Jazz admits that those steps accurately describe the process used by Ginfax in reloading LFFPs. (*See* JORCFF 2264).

San Harbor

267. OptiColor's current sole supplier of recycled single-use cameras is San Harbor. (Lass, Tr. at 1866).

268. Jazz obtains recycled single-use cameras from San Harbor. (Lorenzini, Tr. at 2943).

269. Argus obtains its recycled single-use cameras from Vastfame. (Pearson, Tr. at 3438). Complainant argued that San Harbor is another name for Vastfame (CFF 2212).

270. San Harbor is located in China. (Lass, Tr. at 1866).

271. As to what San Harbor "recycles" Lass testified:

> Q Does Opticolor expect that its supplier will use every Fuji camera body that it receives in the reconditioning?
>
> A No, that is not possible.
>
> Q What is the expectation and the criteria in that regard?

A The expectation, somewhere in the neighborhood of 80 to 85 percent, I believe — neighborhood of 80 to 85 percent are used. This is a floating number. Not all of the cameras that come through the recycler are able to be reused.

(Lass, Tr. at 1882-1883).

272. In a videotaped deposition in Hong Kong (CPX-469) Corinna Linn testified that she is general manager of a factory in Xiamen, Fujian, China. The factory in Xiamen Xianjiang Plastisticity Company limited. As general manager she is responsible for all the operational matters in the factory. (ROCX-52 at 15, 22).

273. San Harbor is the parent company of Xianjing *Id.* at 17. The "reconditioning" was started in the China plant in 1994 *Id.* at 50. When San Harbor receives cameras, the film door has been opened to remove the film and the cardboard packing has been removed. Some of them also don't have the film door. Sometimes when the film door is opened, sometimes the hook will be missing as well. *Id.* at 53. In deposition Lin testified that upon receiving the cameras, "we first sort them and to separate different models." When asked how many approximately are damaged at the "initial sorting", Lin in deposition testified that "[w]e don't usually count them or have a record of them, but generally it is about 5." She was not sure whether through her own knowledge of the production process, she could estimate what percentage was determined to be unusable at the initial inspection and sorting stage. *Id.* at 57. Fuji was barred from inspecting San Harbor's factory in China. Also, Ms. Linn did not appear at the hearing so her credibility could not be examined.

274. Fuji USA obtains empty one-time-use camera bodies directly from photofinishing laboratories across the United States. The photofinishers are given a large pre-addressed box into which to toss the empty shells. (Soares, CX-715, Q&A 5). The spent shells are shipped in these large boxes, called gaylords, from the photofinishers or from Fuji warehousing facilities across the country. (Soares, CX-715, Q&A 6).

275. Photo 1 of CX-718 accurately shows what a gaylord looks like. A substantial percentage of the empty bodies received are severely damaged as shown in photograph 2 of CX-718. When the shells arrive at Fuji, they are literally dumped onto a table for sorting as shown in photograph 3 of CX-718. (Soares, CX-715, Q&A 8).

276. As shown in Exhibit CX-718, the shells are separated in Carlstadt by the original manufacturer. Workers at the sorting facility separate Fuji bodies from Kodak and Konica bodies. The Kodak bodies are returned to Kodak as part of an exchange program. There is also a box for scrap where empty film canisters, caps, broken shells and various other trash photofinishers typically toss into the box with the empty bodies that is sent to Fuji as shown in photograph 4 of CX-718. This type of debris exists in most gaylords, evidencing that the photofinishers use the same gaylords in which they collect shells to throw other items they view as trash. Any previously remanufactured empty body shells will be left on the conveyor belt and end up in the scrap pile. (Soares, CX-715, Q&A 9).

277. The shells which are received at Carlstadt have generally been severely "disrespected" by the photofinishers.

Many times the shells are broken or damaged, or completely separated. Because Fuji's objective is to retrieve the flash unit, any shell whose front cover has been damaged will be sent to the scrap pile. (Soares, CX-715, Q&A 12).

278. OptiColor presented one live witness at the hearing. The witness was Mickey Lass, president of OptiColor, Inc. (Tr. at 1863). OptiColor sells both "recycled and new cameras and within that category it sells a flash, nonflash and underwater model also. The "recycling" Lass referred to is a "reconditioning process". Approximately 80% of last fiscal year's camera sales were generated by the "recycled product" with the remaining 20% from the newer version cameras. Achiever is OptiColor's supplier of the newly manufactured single-use camera, while the current supplier of the recycled cameras is San Harbor (Tr. at 1866). OptiColor is a wholly owned subsidiary of Seattle Film Works, Inc. (Tr. at 1867).

279. Lass testified (Tr. at 2060 to 2061):

> Q So someone at San Harbor creates a record, the Lims obtain the information from that record, they told Rob Brammer, he told you and then you tell us in court, is that how it works?
>
> A That's fair, yes.

280. Ms. Lim was unable to testify about all of the details involved in the first remanufacturing step, the sorting of empty one-time-use camera bodies received from collectors, claiming that "[t]he details are handled by the QC Department and the workers for docks". Ms. Lim later explained that she did not "have such detailed practical

knowledge" because she was not performing the activity firsthand. (ROCX-52 at 58:1-24, 61:23-62:9).

281. According to Ms. Lim, the next manufacturing step was "to use special equipment to cut the shell . . . to cut the cameras." (ROCX-52 at 67:18-1). When asked to describe the equipment, Ms. Lim stated that "[t]here are two knives on each side, and then there is a motor, and then when the motor is in motion, then it will – the recycled single-use camera will be put into or inserted into that place, and then it will be opened. It will be cut". (ROCX-52 at 69:10-15).

282. Ms. Linn, when asked if the motor was between the two blades, Ms. Lim claimed that she did not "know the specific details" and that she "did not pay special attention to that piece of equipment." (ROC-52 at 69-70). Ms. Lim explained that she "never pay[s] attention to the technical side." (ROC-52 at 72). Ms. Lim also did not know whether the motor moved the camera. (ROC-52 at 74). Ms. Lim did explain that her assistant had told her there were blades and a motor, but she could not answer whether the blades were moving or stationary, stating that "I didn't expect you to ask such technical details." (ROC at 74).

283. Ms. Lim explained that she did not know whether the worker was holding the camera the entire time that the welds were cut, stating that "usually when we go and have a look we only try to see whether they are — see the speed, their efficiency, see whether they are lazy, taking any time off. . . ." (ROC-52 at 75). Ms. Lim later explained that "[b]eing a general manager of a factory, of course when I go and inspect I inspect things in general and not in detail." (ROC-52 at 80).

284. Ms. Lim also stated that she "only know[s] that there are two blades, one on each side" and that the blades are straight. (ROC-52 at 72-73). Mr. Brammer who did not testify at the hearing, on the other hand, in deposition testified that San Harbor uses "a small motorized tool with a small grinding wheel." (CX-325 at 43). Mr. Brammer described the wheel as a "cutting wheel" with a "very small diameter" in the shape of a "very thin disk." (CX-326 at 44). According to Mr. Brammer, three cuts were made using the motorized tool, two along the sides and one along the film door. (CX-326 at 45). Ms. Lim testified that the cut along the film door was performed with a hand held paper cutter. (ROC at 88-89, 98-99).

285. Mr. Brammer testified that the first thing done after the camera back is taken off is to check the winding function. (CX-326 at 48). Ms. Lim testified that this step took place after the camera was opened and cleaned. (ROC at 94). While Ms. Lim testified that the cleaning and testing function was carried out in that order, by the same person doing multiple steps at a work bench (CX-326 at 83, 91, 94-98), Mr. Brammer testified that the testing function occurred first, and then the cleaning function was performed by a different person. As each step was performed, the product passed to the next person on a long table. (CX-326 at 54-55). Mr. Brammer also testified that when the film door needed to be replaced, it was done in a dark room. (CX-326 at 64). However, Ms. Lim testified that the film doors were added outside the darkroom by the same person who performed the cleaning and inspection. (ROC at 102-105).

286. Mr. Brammer has not visited San Harbor's new factory in Xiamen. (ROCX-52, CX-326).

287. Ms. Lim testified that after the welds were cut, the workers would each be given one box of cameras to perform testing and cleaning functions. (ROC-52 at 65, 76-77). The worker sits at a desk, with the box placed next to her. (Lim dep. at 65-66). The tools available to the worker include a screwdriver, a charger, cotton swabs, alcohol, an air gun, a cutter and black tape. (ROC-52 at 66-67, 84, 98-99, 101). When asked for as much detail as possible, Ms. Lim explained that she could not provide very much detail: "I understand that, but because I am not a worker myself, I have never been involved in the process, in the operation." (ROC-52 at 80).

288. According to Ms. Lim, the same person then tests the winding mechanism, or thumb wheel, and presses the shutter button. (ROC-52 at 94-95). The film counter is tested to see if it advances, and is set to one above the number of film shots. (ROC-52 at 95, 109). The circuit board is also tested at this step, using a charger. If the flash works, the test is passed. (ROC-52 at 108-109). The camera is also held up to a strong light to examine the lens. (ROC-52 at 109-110).

288. Ms. Lim stated that she thought there was a cut made to open the back door, using something like a small hand-held paper cutter. (ROC-52 at 88-89, 98-99). Ms. Lim stated that the camera was opened, and that the cleaning is done with an air gun, cotton and alcohol (ROC-52 at 84). When the advance wheel is changed, this was also done during this step. (ROC-52 at 125-126). Ms. Lim initially testified that if the film door was missing at this stage, one is attached by the same person using black tape. (ROC-52 at 100-101). Later, Ms. Lim explained that a separate person is

used to handle those cameras with missing film doors, and that this person would have an air gun, charger, screw driver, cotton swab, alcohol and a box of film doors. (ROC-52 at 102-103). Ms. Lim had never witnessed the process of replacing the film lens and could not describe it. In deposition she testified that "[b]ecause it happened very rarely, so I don't think I've seen that during my inspection in the factory." (ROC-52 at 104).

290. Next, if the camera passes a quality control test, it is delivered to the darkroom. (ROC-52 at 100). The film is loaded in the dark room. (ROC-52 at 135). The process requires the film to be spooled out from the canister, into a roll, in the dark, using a machine. (ROC-52 at 136-139), and then the film roll and the canister are placed into the two respective chambers of the camera (ROC-52 at 130, 138-139). When the film is properly loaded, the back of the camera is fixed to the front. (ROC-52 at 139). Tape is then used to seal the camera. (ROC-52 at 140).

291. After the camera leaves the darkroom, it goes to another part of the factory where "daylight checking" occurs. At this time, heat melts are made with a hot instrument, to seal the film door, which is broken open. (ROC-52 at 141-142). During the "daylight checking" a "dummy" picture is taken. (ROC-52 at 140). If, after the picture is taken, the advance wheel is wound, and if the counter moves, the camera is passed on for packaging. (ROC-52 at 141). Ms. Lim stated that the packaging production line involves a conveyor belt with each step being carried out by a different individual. (ROC-52 at 142). At this point, one person inserts the battery, "another person" checks to see if the battery was inserted

properly, a "next" person flips the flash button up and a "somebody else" checks to see if the flash indicator turns on, and if it works, she flips the switch down and puts the camera back on the conveyor belt. The camera is then cleaned, using an air gun. After cleaning, a "another person" in the post loading assembly line attaches the inner cardboard box, by placing glue on the cardboard, and wrapping the camera with the cardboard cover. There follows another cleaning using an airgun. Finally, the camera is placed into the foil bag, and somebody seals the foil, and then "they" will put the sealed unit into the carton with the logo of their client. (ROC-52 at 142-147).

Changzhou

292. Lee Li Yu is employed by China Products, Inc. and is President of that company. (RDYNA 32 at 1).

293. China Products is an independent broker or sourcing agent which helps direct located factories inside China which can produce any number of needed goods (RDYNA 32 at 1).

294. China Products has assisted Dynatec in outsourcing a variety of products, and specifically with relationship to this action Dynatec asked China Products back in 1996 to source or locate a factory that could provide reloaded single use cameras. China Products was successful in finding a factory which could produce reloaded single use cameras for Dynatec. (R-DYNA 32 at 2).

295. Dynatec's single use cameras which are sold as FunPak cameras result from the reloading of several different

types of single use cameras. First are the cameras which were originally made by Eastman Kodak which were originally called either Kodak FunSaver 35 with Flash or Kodak Max which is also called the Kodak FunSaver pocket. Additionally, some Dynatec FunPak cameras result from the reloading of Fuji bodies of both flash and nonflash models. (R-DYNA 32 at 2).

296. Initially all of the cameras both flash and non-flash which were made for Dynatec resulted from the reloading of previously used one-time use cameras, however, there was a time prior to the initiation of this action where, *unbeknownst to either Yu or Dynatec*, the non-flash from the reloading of previously used one-time use cameras, however, there was a time prior to the initiation of this action where, unbeknownst to either me or Dynatec, the non-flash or outdoor models of Fun-Pak cameras were made from newly manufactured shells and parts instead of from the reloading of previously used cameras. After this action began and Dynatec became aware that its outdoor cameras were resulting from newly-manufactured shells, Dynatec requested the factory to only provide it with cameras which were reloaded. (R-DYNA 32 at 2, 3).

297. Yu visited the Chinese factory that provided reloaded single use cameras to Dynatec many times over the past several years and have had an opportunity to see each of the different models of cameras reloaded. (R-DYNA-32 at 3).

298. Referring to CPX-190 which was identified as a Dynatec reloaded camera reloaded from a Kodak product. Yu described the reloading process used by the Changzhou supplier in reloading CPX-190 on behalf of Dynatec as follows (Tr. at 3216 to 3226):

A Sure. The first will be remove the cardboard paper on this cover, and taking off the battery, if there's one attached to; then open the back, the back panel. If there's a side panel attached to, most of the time the photoprocessor took them out because they need to take the cartridge film, cartridge out of this — out of this — out of this cavity.

So if there's a side panel on them, first remove the side panel. If there's no side panel attached to, just remove the back cover. After that, adjust the film, film counter to the — sorry — then after that we replace the winding wheel, and if it's originally from Kodak. If it's a used one, we don't need to replace it.

Now, after that we reset the counter to the proper number.

Q Now, at some point in this process you also remove the battery; is that correct?

A The battery was removed after the cardboard cover was removed.

* * *

Q How is it then that you accomplished the removal of the back panel?

A Basically there are four latches on each side of — on each side of the back panel; and

also there is latches that on the bottom, just unlatch them and open them up.

Q Then you described a step for removal of the battery for the flash cameras. What is the next step in the procedure that is incorporated by the Changzhou supplier?

A You mean the Max?

Q For reloading this particular camera shell, that is CPX-190.

A You mean after you unlatch them or after you remove the battery?

Q After you unlatch and remove the back panel.

A Oh, yeah. After you open the back panel, the procedure will be replace the winding wheel, then adjust the counter. After that –

Q When you say "the counter," what counter is that?

A It's a white wheel, white wheel film counter, has numbers on them

* * *

Q What is the purpose for the film counter, Mr. Yu?

A The film counter —

* * *

THE WITNESS: Film counter is used to count how many exposures was taken.

BY MR. LAYCOCK:

Q What then is the next step?

A The next step will be the winding the unexposed film from the canister on to a plastic spindle. After — after winding all the unexposed film on to that plastic spindle, the spindle is full of film, and then put both canister and the spindle back to the — back to the respective cavities.

* * *

Q What's the next step in the process used to reload the CPX-190 exhibit?

A After that, put back the back panel, then insert the battery, the new battery on to the camera; apply the — apply the Dynatec cardboard cover on it, and then it is done.

* * *

Q Are these the steps that you testified that you observed being practiced by the Changzhou Company?

A Yes.

Q And is it your understanding that these are the steps that are always followed for the reloading of this particular camera shell on behalf of Dynatec?

A Yes.

Q I'd like you to now take before you Exhibit RPDYNA 19.

A I have RPDYNA 19 in front of me.

* * *

Q Do you recognize RPDYNA 19 as a Dynatec FunPak camera with flash?

A Yes.

Q And are you able to identify the camera shell that has been reloaded to result in the Fun-Pak camera with flash?

A Yes.

Q What is it?

A It is loaded with the Kodak Max shell with the Dynatec package.

Q Would you please describe for the Court the process steps followed by the Changzhou supplier in preparing this camera on behalf of Dynatec?

A Sure. The process — the process will be first remove the —-whatever cardboard cover on the shell, and open the back panel by unlatching the four latches, two latches on each side as well as the two latches on the top, one is on top of on the bottom, the opening, and open the back panel and take out the batteries in it.

After that, replace the winding wheel and reset the film counter. After that it will be, you know, winding unexposed film from canister on to a spindle.

Once the spindle is full of film and put both canister and the film, the spindle with film back to respective concavities. And after that, insert a new battery, close the back panel. And apply the — apply the Dynatec cover on them and it's done.

Q The procedural steps that you have just described, are those the same steps which you have observed and learned are a part of the process incorporated by the Changzhou Company in preparing this particular camera?

A Yes.

Q Thank you. I'd like you to now take before you Exhibits RPDYNA 4 and RPDYNA 5.

A I have RPDYNA 4 and 5 here.

Q Are these the same exhibits that you identified as being Dynatec FunPak cameras made from Fuji shells?

A Yes.

Q Is the process for reloading each of the exhibits RPDYNA 4 and 5 similar?

A Similar except the outdoor does not have a flash unit.

Q Would you please describe the process incorporated by the Changzhou Camera Company in preparing these particular cameras on behalf of Dynatec?

A Sure. The procedure of reloading the Dynatec flash camera with Fuji recycled Fuji shell are the same as the Kodak one, remove the cardboard box in this step. And then remove the battery at the bottom, and then open the — open the front cover by unlatching the latches on both side and top and bottom, open the front cover, and taking off the flash unit, then taking off the

shutter, the mechanical unit what we call the shutter mechanism.

And after that, the factory uses a cutter to cut the bottom cap of film supplying chamber.

* * *

Q How is the cutting procedural step accomplished, Mr. Yu?

A They have a tool sitting on the table and insert the camera in and there's a cutter from top and goes down, and cuts that particular part, cutting — cutting it in half so the bottom is still connected to the body itself.

Q And what is it that is cut, Mr. Yu?

A They're cutting the bottom cap, bottom cap of the film, what Fuji calls the film supply chamber.

Q Would you please continue in your description of the procedural steps used by the Changzhou Company in preparing particular cameras.

A Sure. After it's open, they use — the factory uses a flexible tape, like a leader attached to the end of the unexposed film. And then winding the film back into the canister only leaves

that tape out, protruding out; then insert that — insert that tape into the film take-up chamber, and then also from that chamber into that channel where the shutter mechanism sits there.

And after that, they insert a whole canister into that film take-up chamber. Then pull the tape, same — pull the tape and the film out of that canister. Once it's pulling out and remove that tape, and then fit the fitted film into that — into that film supply chamber, then using a winding tool, stick into the opening part of — opening bottom part of the film supply chamber and winding the film into that chamber.

Q Is there a film counter in the RPDYNA Exhibits 4 and 5?

* * *

THE WITNESS: Yes. There is a film counter.

Before we insert the — you know, before we insert, put that film counter back, the shutter mechanism back, we adjust, the factory is readjusting the film counter.

BY MR. LAYCOCK:

Q So that is — is that an additional procedural step followed in the preparation of these cameras?

A Yes, it is, it's an additional one.

Once the film was winding into that film supply chamber, it's sealed, the bottom, the bottom cap of the film supply chamber where it was cut, and we put back the film — put back the shutter mechanism with a counter adjusted to the proper number.

And then reattach the flash unit, after that and then they will put the cover, front panel back to the — to the place, and insert the — insert a new battery and put a cap on top of — on the top of the lens so to cover the logo.

And once that is done, will apply the cardboard paper, Dynatec's package on to the camera and the film.

Q Are those the procedural steps that are always followed by the Changzhou Company in preparation of the Fuji shells?

A Yes.

299. Yu testified that he has personally disassembled and reassembled the different modes of camera skills according to the processes employed by the Changzhou Camera Co. (R-DYNA-34).

300. Yu testified (R-DYNA-34):

Appendix A

10. Based on my personal observation of the reloading procedures employed by the Changzhou Camera Co., discussions with Changzhou Camera Co. personnel, as well as my own disassembly and reassembly of the various cameras according to the procedures employed by the Changzhou Camera Co., I testify that the steps for reloading the three types of reloaded camera shells referred to in paragraph 7 are as described in paragraphs 11 to 16.

11. For the Kodak FUNSAVER 35 WITH FLASH, Exhibit A [attached to R-DYNA-34] provides a diagram of the camera with its significant parts disassembled. The basic procedure for reloading this camera is as follows:

    Step 1. Removal of the battery and cardboard cover.

    Step 2. Removal of the back panel 1, which is held to the main body 2 by four extruding pins, two of which are shown as 3, 4 (the side panel 5 has already been removed by the photo finisher).

    Step 3. Resetting the film counter to show the proper number of film exposures which will be loaded into the camera and replacement of the winding wheel.

Appendix A

Step 4. Winding unexposed film from a film canister is wound onto the plastic spindle 6 and the spindle, now full of film, and the film canister are repositioned back into their respective cavities.

Step 5. The back panel 1 and side film panel 5 are reattached to the main body 2 and a new battery is inserted.

Step 6. Dynatec FunPak cover applied.

12. Where the side panel 5 of the camera shell has been lost in shipment, or is otherwise unusable, a new side panel is molded on site by Changzhou Camera Co.

13. The winding wheels on the Kodak cameras are typically replaced with winding wheels compatible with standard 35mm film cartridges purchased by Changzhou Camera Co. although it is possible to reload used Kodak film canisters with unexposed film, relabel the canister and thereby eliminate the need to replace the winding wheel. A true and correct copy of a photograph of a Kodak 35mm film cartridge and Kodak winding wheel is attached as Exhibit B [attached to R-DYNA-34].

Appendix A

14. For the KODAK MAX, or Kodak FUNSAVER POCKET, Exhibit C provides a diagram of a version of said camera which depicts the significant part of the camera disassembled. The basic procedure for reloading this camera is as follows.

Step 1. Removal of Kodak labeling.

Step 2. Removal of the back panel 18 from the main body 12 by unlatching the four hooks 30 which hold the back panel to the front panel or casing portion.

Step 3. Removal of the battery for flash cameras only.

Step 4. Resetting the film counter (not shown) to show the proper number of film exposures which will be loaded into the camera and replacement of the winding wheel.

Step 5. Winding unexposed film from a film canister is wound onto the plastic spindle (also not shown) and the spindle, now full of film, and the film canister are repositioned back into the respective cavities.

Step 6. Replacement of the battery for flash cameras only.

Step 7. The back panel 18 is reattached to the main body 12 and Dynatec FunPak labeling is applied.

15. On both models of Kodak cameras, no parts need be broken during the reloading process.

16. For the typical Fuji cameras, Exhibit D [attached to R-DNYA-34] provides Figures 2 and 3 from United States Patent No. 5,436,685 ("the '685 patent") which depict a version of a Fuji camera with its significant parts disassembled. The basic procedure for reloading this camera is as follows. The bold numbers in the following description correspond to the numbers in Figures 2 and 3 of the '685 patent and Exhibits E-O include photographs of the actual process employed for the reloading of this camera.

Step 1. Removal of the battery for flash cameras only and cardboard cover. Exhibit E [attached to R-DNYA-34].

Step 2. Removal of the front cover 21. Exhibit F [attached to R-DYNA-34].

Appendix A

Step 3. Removal of the flash circuitry 26 and what Fuji calls the mechanical or phototaking unit 25. Exhibits G and H [attached to R-DYNA-34].

Step 4. Opening what Fuji calls the film supplying chamber 42 by cutting the ultrasonic weld which seals a cap to the bottom of the film supplying chamber. Exhibit I.

Step 5. Resetting the film counter. Exhibit [attached to R-DYNA-34].

Step 6. Attaching a piece of tape to the end of the unexposed film protruding out from the film canister, winding the unexposed film back into the film canister which leaves only the flexible tape extending out from the film canister, inserting the tape into what Fuji calls the film take-up chamber 43 and then inserting the film canister into the film take-up chamber. Exhibit K [attached to R-DYNA-34].

Appendix A

Step 7. Pulling the film out of the film canister with the attached tape, removing the tape from the film and feeding the film from the film canister into the film supplying chamber 42. Exhibit I [attached to R-DYNA-34].

Step 8. Closing and sealing the cap under the film supplying chamber.

Step 9. Reintroduction of the mechanical or photo-taking unit 25 and flash circuitry 26 to the main body. Exhibits M and N [attached to R-DYNA-34].

Step 10. Reattaching the front cover 21 (Exhibit Q [attached to R-DYNA-34]).

Step 11. Application of the Dynatec FunPak cover.

17. The winding wheel on Fuji's cameras is not typically replaced in the Fuji cameras.

18. The most common repair of the Fuji camera bodies that is undertaken is the replacement

of the cap below what Fuji calls the film take-up chamber with a newly molded cap.

19. No repairs costing over $0.20 in new parts is ever made. Cameras not subject to repair are simply discarded.

20. The Changzhou Camera Co. is now supplying Dynatec with both flash and nonflash FunPak cameras made only from reloaded camera bodies.

301. At the hearing Yu testified that paragraphs 11, 14 and 16 of R-DYNA-34 accurately described the process steps incorporated by the Changzhou factory in their reloading process for the Kodak Fun Saver 35 camera with flash. (Tr. at 3241).

302. Yu has been at the Changzhou factory more than ten times. (Tr. at 3248).

303. Yu's October 1998 visit to the Changzhou factory basically reassured the accuracy of the steps set forth in R-DYNA-34 which was executed on July 29, 1998. (Tr. at 3249).

304. Yu in his October 1998 visit to the Changzhou facility reassured the accuracy of the steps in R-DYNA-34. In that visit he did learn some minor details such as the tool used to rewind the film. (Tr. at 3250).

305. Yu testified that the tool used to rewind the film was four or five inches long, that it is a crank; that it is a

manual mechanical device; that the tool is used only for Fuji shell and not the Kodak Max shell. (Tr. at 3249-50).

306. Yu testified that the actual physical winding of the film performed when loading a Kodak Max shell at the Changzhou facility is done by the worker winding it by hand. He described the procedure as follows (Tr. at 3251 to 3252):

> Q How is the actual physical winding of the film performed when loading a Kodak Max shell?
>
> A The workers winding them by hand. And if you want, I can describe the procedure.
>
> Q Yes, please.
>
> A First, you know, put a tape to the end of the unexposure film and stick the tape on to the plastic spindle.
>
> Q Which plastic spindle is that?
>
> A The plastic spindle used by the factory.
>
> Q Is this a newly made piece that fits into the camera?
>
> A No, it's — some are new; some are recycled.
>
> Q When they are recycled, is that because there is a spool already contained in the shell of the Kodak Max camera?

A Yes.

Q And when it has to be inserted new, is that because the spool was lost during the processing of the shell?

A The — some of the films that they're using are basically film pancakes so basically they have to find a new spool.

Q Well, if the spool is already in the camera, why would they need to add a spool, just because it's pancake film?

A No, because the — sometimes the spool does not work very well so you replace them.

Q And where do these replacement spools get manufactured?

A I don't know, I don't have —

Q Does the factory make them?

A No, they don't.

Q They're not molded at the factory?

A No.

307. Yu has no idea what percentage of the Kodak Max shells are made at the Changzhou factory utilize newly

molded spools. (Tr. at 3252). There is a spool in the Kodak Fun Saver camera when the shell is received at the factory before the spool is reloaded. (Tr. at 3252-53).

308. With respect to operations at the Changzhou factory, Yu testified (Tr. at 3254 to 3257):

> Q Are you aware of any shells of Kodak Fun Saver LFFPs that arrive at the Changzhou factory without the spool?
>
> A No.
>
> Q Do you know if there are molding machines at the Changzhou factory for molding spools for the Kodak Fun Saver shell?
>
> A No.
>
> Q Do you know if the Changzhou factory purchases new spools to use in reloading the Kodak Fun Saver?
>
> A I know they replace some of them.
>
> Q And do you know where they get them?
>
> A No, I don't.
>
> Q If they replace them, isn't it true that they have to be a newly manufactured part, Mr. Yu?
>
> A Not necessarily.

Q Where would they come from?

A There are a lot of photo shops all over the places that have spools, you can buy them.

Q So the spool that is used to wind the film in a Kodak Fun Saver camera is a commercially available product?

MR. GRIFFIN: Objection, mischaracterization of his testimony.

JUDGE LUCKERN: Overruled.

THE WITNESS: I should say you can, you can get them.

BY MR. DECARLO:

Q And where can you get them, Mr. Yu? I believe you testified that you can get them at photo shops all over the place. Can you identify one in the greater metropolitan area of this city where you get with a spool for a Kodak Fun Saver?

A I'm talking about a factory in China.

Q So those are the photo shops all over the place that you were referring to earlier, there's the photo shops in China?

A Correct.

Q What about in the United States?

A I haven't done the research. I cannot answer that question.

Q You mentioned three factors earlier in connection with your knowledge about the Changzhou processes, your observations; is that correct?

A Correct.

Q Demonstrations given to you by the Changzhou employees, is that the second factor?

A Correct.

Q And then you said your personal experience, was that correct?

A Correct.

Q Now, you have personal experience loading cameras at the Changzhou factory, you personally?

A I have experience of loading the factor — loading the cameras, several places.

Q And did you load them at the factory, did you — strike that.

Appendix A

Did you participate in the assembly of cameras at the Changzhou factory?

A I did not work — I did not actually working in an assembly line, but I did reassemble or disassemble the cameras at the factory.

Q Which kind of single-use camera did you reload?

A All three of them.

Q When was that?

A Kodak Fun Saver, Max and the Fuji.

Q And when was that?

A Several times, including my trips in May.

Q Did anyone accompany you on your trip in May?

A I'm sorry, say again.

Q Did anyone accompany you —

JUDGE LUCKERN: "Did anyone accompany you on your trip in May?"

THE WITNESS: Yeah, I was with Mr. Gledhill.

BY MR. DECARLO:

Q Were you present during any videotaping at the factory?

A At the time Mr. Gledhill did the videotape the loading procedures.

Q Now, when you said your personal experience, was that done at the direction of someone at the factory, were you being taught by someone at the factory?

A No, after the — observations and the demonstrations, I did it by myself just to reassure the procedures were correct.

Q So you were validating that the procedures undertaken by the Changzhou factory were the correct procedures?

A Yes.

309. Yu did not observe the assembly line running the day in May 1998 when Yu visited the Changzhou factory with Gledhill. In May there were no assembly lines running because at the time there were no purchase orders placed. (Tr. at 3259).

310. The Gledhill videotape (CPX-407) discloses a "bench" demonstration.

Appendix A

311. Some steps performed at the Changzhou factory were performed in a darkroom and those steps were demonstrated to Yu outside the darkroom so that one could understand what actually takes place in the dark. (Tr. at 3260).

312. Yu testified that he wrote R-DYNA-34 (Tr. at 3269, 3270).

313. Regarding R-DYNA-34, Yu testified (Tr. at 3269 to 3274):

> JUDGE LUCKERN: Let me ask you this: The very last paragraph, is something that you're aware of in your declaration, I see the very last paragraph: I hereby declare that all statements made herein are my own knowledge are true, et cetera, et cetera, where did you — how did you know about that statement? I'm looking — look at the declaration, this is 34, and the very, the very fifth page in the very last paragraph, is this something that you — I don't know — are you a lawyer, sir?
>
> THE WITNESS: No, I'm not, but I had some kind of draft that, you know, previously so I just copied that format.
>
> JUDGE LUCKERN: Where did you get the draft?
>
> Where did you get the draft?

THE WITNESS: Because I have done this several 13 times.

JUDGE LUCKERN: You've done it several times?

THE WITNESS: Yes, from my previous experience.

JUDGE LUCKERN: Are you through with your questioning?

BY MR. DECARLO:

Q Could you describe the previous proceedings wherein you created declarations of this type?

A Could you explain to me again?

MR. DECARLO: Let's move on.

JUDGE LUCKERN: Let me just — I asked you where did you get the draft, where did you get the draft and you, your testimony is because I have done this several times.

You've done it several times? And then you've said it yes, from my previous experience. That's the way you testified and the question is: Could you describe what this previous experience is or, you know, the past that you have just testified to. Sure.

THE WITNESS: I had one incident that's back several years ago, we did — we did some kind of product for another company and they were in court because of the dispute on the patent in issue. So they, you know, they asked me to do the witness, that's how I got acquainted with this kind of wording.

BY MR. DECARLO:

Q Could you describe for me how you wrote the information on the first page, starting from the top up until it says the word "declaration"?

A You mean where did I get this?

Q Uh-huh.

A I got it from the attorney.

Q Which attorney?

A Mr. Griffin.

Q Was he your attorney at that time?

A No, no. I mean, he's not my attorney but it's the format of this thing, he asked me to write down on my declaration. Asked me, you know, what is the format.

Q And what did you do after you made your pencil and paper draft and sent it — you wrote

out — I'm sorry, pen and paper and you didn't review that with any attorney at that point you said, correct?

A No, I typed it into the computer, finished.

Q So you typed it all in yourself?

A Correct.

Q And then after you typed it all in, did you print it out?

A I did.

Q And then you signed it?

A Right.

Q And then did you attach the exhibits?

A The exhibits, some of them as far as the photographs, I did not from the videotape. I have to rely on the attorney to copy them from the videotape.

Q Which attorney was that?

A Mr. Griffin.

Q What did Mr. Griffin give you?

A He gave me these pictures downloaded from the videotape.

Q What videotape is that?

A The tape that you have saw.

Q The tape that you made with Mr. Gledhill?

A Correct.

Q Did you ask Mr. Griffin what images he should somehow capture from this video?

A Basically supporting my steps, my declaration, that's whatever picture needs.

Q So the pictures were put on it after you wrote it; is that what you are saying?

A I don't know when he made a copy of the downloaded video, so but, you know, I finished it, I got — I finished the drafting and then I got the pictures, put them together.

JUDGE LUCKERN: Let me ask you this: Just as an example, for example on paragraph 13 of this exhibit, would you turn to paragraph 13 of this exhibit? And that's on page 3 of this exhibit.

THE WITNESS: Yes.

JUDGE LUCKERN: And would you read to yourself paragraph 13?

THE WITNESS: You want me to?

JUDGE LUCKERN: Just read to yourself, to familiarize yourself with it. Now my question is, you end up on this paragraph 13 you say: A true and correct copy of a photograph of a Kodak 35 millimeter film cartridge and Kodak winding wheel is attached as Exhibit B.

Now, are those your words and this is what you put in to it and/or is this — did these words come from somebody else or what?

THE WITNESS: These are my words.

JUDGE LUCKERN: And you had identified these as Exhibits B, C, D, E, on your own; is that what you are telling me now? Whatever B, I mean there's a lot of exhibits here but these are the exhibits that you put on it on your own. You are under oath now, sir.

THE WITNESS: Yes, uh-huh.

JUDGE LUCKERN: All right. That's what you say. Go ahead, Mr. DeCarlo.

Appendix A

BY MR. DECARLO:

Q You have the declaration before you, could you turn to Exhibit A?

A Yes.

Q Where did you obtain that sketch, did you make it yourself?

A No, actually this is the — the documents I guess, about this suit, court document, I should say the plaintiff or what should I say, I require — asking a copy of the documents, the picture from the attorney.

314. Yu did see the videotape that was made by Mr. Gledhill at the Changzhou factory which was a demonstration of the reloading of a Fuji camera. (Tr. at 3291, 3292).

315. Yu recalls no demonstration of a reloading of a Kodak camera. (Tr. at 3292).

316. Yu with respect to the videotape made by Mr. Gledhill at the Changzhou factory testified (Tr. at 3293, line 13, 3294, line 8):

Q How would one viewing that videotape without sound obtain an understanding of the loading operations of the Kodak camera that were being described by the woman in the video?

A As I said, my observation is not solely based on the videotape, of the deposition from the videotape.

Q Well, I'm speaking about a person other than you who was actually there, how would a person like me watching the videotape who wasn't there obtain an understanding of the reloading of the Kodak camera from watching the videotape without sound?

MR. LAYCOCK: Your Honor, this calls for speculation.

JUDGE LUCKERN: I'm going to overrule the objection, overrule the objection. You can have redirect, the objection is overruled.

THE WITNESS: No, you cannot.

MR. DECARLO: Was there an answer?

JUDGE LUCKERN: He said, "no, you cannot," I thought is that what you said, Mr. Yu?

THE WITNESS: Yes.

Mass Chance

317. On September 1, 1998, Lisa A. Jacob and David Sife, attorneys with complainant's counsel, along with James Tuttle, counsel for China Film and Kelvin Chan, Manager of

Purchasing and Retailing of the Mass Chance Factory, Clement Lam of the Hong Kong office of the law firm of Linklaters & Paine, Jason Zhang, an attorney admitted to practice in the People's Republic of China, as well as a videographer and his assistant from Smith Bernal (a Hong Kong court reporter service), traveled to Shenzen, China in order to visit the Mass Chance Factory. (Jacob CX-770, at 1).

318. Based on discovery responses to date and my observations while at the Mass Chance Factory, that factory is supplying remanufactured one-time-use cameras to at least the following respondents:

Boecks Camera LLC
China Film Equipment Corp.
Jazz Photo Corp.
P.S.I. Industries, Inc.
Vantage Sales, Inc.

Both in deposition and at its plant inspection, Mass Chance Factory representatives refused to identify their customers or to confirm that the foregoing were customers. (Ex. 1, K. Chan Dep. at pp. 15-18; 70-72). (CX-770 at 2).

319. On September 1, 1998 Ms. Jacob and Mr. Sifre were informed by Mr. Tuttle that there were actually two assembly lines at work reloading empty Kodak one-time-use bodies and that they would be allowed to film one of the assembly lines but not the other because in the other a product was being made for a client other than China Film. Thereafter they went to the second floor of the factory building where approximately one half of the manufacturing process, up to

the point of film reloading, were viewed and videotaped. (Jacob CX-770 at 3, 4).

320. With respect to what was seen and happened on the second floor on September 1, 1998, at the factory, Jacob testified (CX 770 at 4 to 8):

11. Q: Could you describe what you saw?

A: At the beginning of the conveyor belt forming a part of the assembly line, there were several boxes with spent shells in them. When I bent down to open one box, I saw inside numerous Fuji no-flash type empty camera bodies as well as Kodak no-flash type empty camera bodies. An unnamed individual who worked at the factory immediately stepped in front of me and closed up the box.

12. Q: Could you describe the room?

A: The room contained two assembly lines, one performing pre-loading activities and one line performing post-loading activities.

13: Q: What was occurring on the "pre-loading" line?

A: On the pre-loading line, which was videotaped, I observed the workers

using a screwdriver to pry the back cover off of the Kodak empty one-time-use camera bodies, from which the paper cover had previously been removed by other workers. I further observed black pieces of plastic being snapped off of the shells in the area of the fastening snaps located on a new shell, which were videotaped.

14. Q: What happened after the backs were pried off?

A: After the backs were pried off, some of the back covers, which appeared broken or from which the film door was missing, were set aside. A second worker then, using a tool, smoothed out the rough places where pieces of plastic had broken off from the inside of the main body, resulting in still more pieces of plastic falling out of the body.

15. Q: What happened next?

A: We were initially only allowed to observe the activities going on in the second line.

The second line consisted of the post-loading activities and packaging activities.

16. Q: What occurs on the post-loading line?

A: I observed the workers using glue to adhere the back cover to the front cover where tape was not holding the body together securely. A rubberband would then be applied to fix the glue. Once the glue had set, the camera would be sent along for packaging.

17. Q: Did you observe what brand of one-time-use cameras were being packaged?

A: The second line was packaging SmileTime brand cameras.

18. Q: What happened next?

A: After some further delay and a dispute, Mr. Jacob Xu finally did allow us to film some but not all of the post-loading manufacturing process. According to Mr. Tuttle, the partial refusal to permit filming was because the products being packaged were not those of Respondent. Mr. Xu would not allow us to film the packaging were being packed in which contained the inscription "P.S.I. Industries, Boca Raton, Florida" (a Respondent) in large black letters.

Appendix A

In a deposition on August 12, 1998, Dominic Seminara of P.S.I. Industries named Mass Chance as a supplier of its SmileTime brand cameras.

(Exhibit 2, Seminara dep. at p. 51).

19. Q: What happened next?

A: We were then lead to a room outside of the factory owner's office where a table demonstration was set up. We were informed that there was no reloading of film being done at the factory that day. Further, any reloading was done in the dark and therefore we would not be able to film it anyway.

20. Q: Can you describe the demonstration?

A: On the table, two workers demonstrated in the light how an empty Fuji one-time-use camera body is loaded with film. In the process shown to us, a hole is drilled in the cover of the film receiving chamber.

21. Q: Were there holes in the cameras produced by China Film?

A: No. Every sample produced to us by China Film has an intact cover, *i.e.* there

is no hole in any camera we have seen from China Film. At an early stage of our investigation, we did see remanufactured Fuji one-time-use cameras with such a hole but, to my knowledge, such a product has not been used in any remanufactured Fuji one-time-use camera examined by us since this investigation was instituted.

22. Q: Did you draw a conclusion from this fact?

A: Yes. I believe that the film loading process shown to us could not be the same process actually used to load the Fuji cameras remanufactured by the Mass Chance Factory.

23. Q: What else occurred during the demonstration?

A: During the demonstration I asked several questions regarding cutting of the welds and alteration of the film canister. We were allowed to see the alteration process of the film canisters. However, we were not allowed to film this procedure because Jacob Xu asserted that it was a trade secret.

Appendix A

24. Q: How is the film canister altered?

A: The film canister is altered by sliding a conventional 35 mm. film canister beneath a buzz saw in order to cut off the top of the spool. Then, a separately molded film spool portion with peripheral gear teeth apparently designed to mate with the film advance wheel on Fuji one-time-use cameras is then glued onto the spool.

25. Q: Did you observe anything else?

A: As we were being led from the room where the canisters are altered, I noticed a film canister with Fuji's logo on it sitting in a box. I picked up the film canister and asked Jacob Xu whether he was using Fuji film. He informed us that they did not use Fuji film but rather 3M or Agfa, but that they do recycle Fuji film canisters which have been previously used. He informed us that the spooling was done on the factory premises. I asked if we would be allowed to see the spooling of film into canisters. He informed us that we would not be allowed to see this process. I further asked if we would be allowed to see the initial sorting process, however, Mr. Xu refused this request as well.

26. Q: Did anything else happen during your visit?

A: After lunch, a group of the gentlemen accompanying me, including David Sifre, went upstairs to use the men's room. When David Sifre returned from the men's room he informed me that he had accidentally gone up to the third floor of the factory building. He further informed me that there was some sort of manufacturing or assembly line process going on of one-time-use camera bodies but that he could not get close enough to see what type of Fuji or Kodak one-time-use camera bodies were being worked on. He said at the time that he had seen a conveyor belt, at least ten to twelve workers and piles of one-time-use cameras. Mr. Sifre then asked Mr. Tuttle what was going on the third floor and whether we could see that process.

27. Q: What was Mr. Tuttle and Mr. Xu's response?

A: Mr. Tuttle informed him that it was off limits and that he did not know why. We persisted in asking Mr. Jacob Xu if we could see what was going on the third floor. Mr. Xu informed all of us that

> there was nothing going on the third floor and that there was nobody up there, rather it was being used for storage.

321. Respondent China Film, on October 1, 1998, extended an additional, re invitation to complainant to make yet a further, additional visitation to the supplier Mass Chance recycle plant in Shenzhen, China, on the additional dates of October 21, or 22, or 23, 1998, if desired by complainant [CX-118, Respondent China Film's October 1, 1998 Answers to complainant's Second Set of Interrogatories, Interrogatory & Answer No. 40(c)].

Sakar

322. Ralph Sasson, the Sakar official responsible for purchasing one-time-use cameras, testified that he dealt only with a trading company, Frash Power, and neither had contact with nor knew the name of the factory. (CX-441 at 8:25-10:17). In a letter dated October 16, 1998, Mr. Tuttle advised that Sakar's supplier, identified as J.P. Products, offered a plant visit on October 26-30. (CX-782).

* * * *

APPENDIX B — JUDGMENT OF THE TOKYO REGIONAL COURT, CIVIL AFFAIRS DIVISION 46, DATED AUGUST 31, 2000

Heisei 8 [1996] (*Wa*) No. 16,782:	Case petitioning [for], inter alia, injunction [due to] infringement [of] patent right
Date of conclusion of oral argument:	May 9, 2000

DECISION

PLAINTIFF:	Fuji Photo Film Co., Ltd. 210 Nakanuma, Mina-miashigara-shi, Kanagawa Prefecture

Appendix B

Representative and Representative Director for the above:	
	Masayuki Muneyuki[1]
Attorney representing the above in litigation:	
	Minoru Nakamura
Same:	Kazuko Matsuo
Same:	Shinichiro Tanaka
Same:	Kazuhiko Yoshida
Patent attorney assisting	
the above:	Fumiaki Ohtsuka
Same:	Takayoshi Nishijima
DEFENDANT:	K & J Co., Ltd.
	2-45-7 Higashi Ikebukuro, Toshima-ku, Tokyo Prefecture
Representative and Representative Director for the above:	
	Shoroku Kim[2]

1. *Here and below, the readings given for Japanese personal names, especially given names, should be considered unconfirmed as there are in general a number of possible readings therefor. —Tr.*

2. *Here and below, this personal name, apparently Korean, has been rendered in the Japanese style and should be considered unconfirmed. —Tr.*

Appendix B

DEFENDANT: Batorii Nonnon Co., Ltd.[3]

1-19-12-302 Sendagaya, Shibuya-ku, Tokyo Prefecture

Representative and Representative Director for the above:

Hatsuo Akaishi

Attorney representing both of the above named persons in litigation:

Wataru Matsunaga

Same: Tsutomu Fujiwara

HOLDING

I Defendant K & J Co., Ltd., shall not import, sell, or display for the purpose of selling, lens-equipped film units as described in Attached List (I) through (III).

II Defendant Batorii Nonnon Co., Ltd. shall not manufacture, sell, or display for the purpose of selling, lens-equipped film units as described in Attached List (II) and (III).

---

3. *Here and below, this company name has been rendered phonetically and should be considered unconfirmed. —Tr.*

Appendix B

III That defendant K & J Co., Ltd. should pay plaintiff 5,000,000 yen and an amount calculated at the rate of 5% of the total per year from May 31, 1997 until completion of payment thereof.

IV That defendant Batorii Nonnon Co., Ltd. should pay plaintiff 23,428,096 yen and an amount calculated at the rate of 5% of the total per year from May 31, 1997 until completion of payment thereof.

V All other causes petitioned for by plaintiff with respect to defendant Batorii Nonnon Co., Ltd. are dismissed.

[Seal:] Court Clerk [*illegible*]

VI With respect to [award of] litigation costs, defendant K & J Co., Ltd. shall be liable for costs incurred by defendant K & J Co., Ltd., and one [tenth] of costs incurred by plaintiff; defendant Batorii Nonnon Co., Ltd. shall be liable for costs incurred by defendant Batorii Nonnon Co., Ltd., and seven-tenths of costs incurred by plaintiff; and plaintiff shall be liable for the balance of costs incurred by plaintiff.

[Seal:] [*illegible*]

VII Enforcement of this judgment may be as an order nisi with respect to section III and section IV only.

Appendix B

FACTS AND GROUNDS

First Plaintiff's Petition

I Identical in content to section I through section III of Holding.

II That defendant Batorii Nonnon Co., Ltd. should pay plaintiff 30,000,000 yen and an amount calculated at the rate of 5% of the total per year from May 31, 1997 until completion of payment thereof.

Second Summary of Fact Pattern

Defendants are importing, manufacturing, or selling units which have been made capable of reuse as a result of film replacement by ordinary customers who have purchased same and so forth, whereas the plaintiff holds ownership of patent rights, utility model rights, and design rights of lens-equipped film units (so-called "disposable cameras") sold in Japan and the Republic of Korea (hereinafter "South Korea"). The fact pattern in the present case is such that plaintiff alleges that import, manufacture, and sale of above product by defendants infringes patent rights, utility model rights, and design rights owned by plaintiff and seeks injunction against import, manufacture, sale and so forth, and payment of damages (including damages for delay [for a period commencing] from the day following service of a

motion for amendment of suit dated May 30, 1997), in response to which defendants contest same, alleging exhaustion and so forth of patent rights and so forth.

I Facts Not Disputed by Parties

1 Parties

Plaintiff is one of the world's leading companies in the areas of manufacture and sale of photographic film, and ranks as the largest in the industry with respect to manufacture and sale of the various types of lens-equipped film units. Defendant K & J Co., Ltd., (hereinafter "defendant K & J") is a corporation with the purpose of sale, import, export, and so forth of everyday articles, miscellaneous items/ camping goods, and travel supplies, and defendant Batorii Nonnon Co., Ltd., (hereinafter "defendant Batorii Nonnon") is a corporation engaged in import, export, sale, and so forth of miscellaneous everyday household items.

1 Rights Possessed by Plaintiff

(I) Plaintiff owns the following patent rights, utility model rights, and design rights (collectively referred to as "rights

in the present case," and described after the fashion of "patent right <1>", corresponding to the numbers below when referred to individually).

<1> Patent right pursuant to Patent No. 1,875,901 (application filed August 14, 1987; registered October 7, 1994)

<2> Utility model right pursuant to Registration No. 1,931,349 (application filed August 19, 1987; registered September 24, 1992)

<3> Utility model right pursuant to Registration No. 2,015,472 (application filed January 19, 1987; registered April 20, 1994)

<4> Utility model right pursuant to Registration No. 2,020,797 (application filed February 22, 1988; registered June 6, 1994)

<5> Principal design and seven similar designs under design right pursuant to Registration No. 760,922 (Principal design application filed October 9, 1987; registered January 24, 1988.

Appendix B

Application for seven similar designs filed May 14, 1992; registered August 5, 1994.)

<6> Design right pursuant to Registration No. 913,842 (application filed August 18, 1992; registered September 9, 1994)

<7> Principal design and one similar design under design right pursuant to Registration No. 919,641 (applications for principal design and one similar design both filed May 24, 1993; registered November 22, 1994)

(II) Descriptions at patent claims of specification associated with patent right <1> and at utility model claims of specification associated with utility model rights <2> through <4> are as follows.

(1) Patent Right <1>

"[Claim] 1 In the context of a lens-equipped film unit which is pre-equipped with unexposed film contained therein, which is such that exposure of this film is imparted by way of an exposure imparting mechanism as

a result of operation of a shutter means, and which is rendered incapable of reuse after removal of film following shooting of photographs, a lens-equipped film unit characterized in that an unexposed roll of film is arranged at one side of a film exposure frame within the aforesaid unit and a cartridge possessing a rotating spool at the interior thereof is arranged at the opposite side of the film exposure frame, the spool and one end of the unexposed film being previously [mutually] secured, the unit's film advance operation means being coupled to the spool which is supported rotatably within the aforesaid cartridge, permitting the aforesaid unexposed film to be wound and taken up into the cartridge following operation of the aforesaid shutter means, and the aforesaid unexposed film roll being formed by withdrawing [unexposed film] from where it is housed within the aforesaid cartridge during a step in the manufacture of said unit, loading [the unexposed film] within an unexposed film roll housing such that a central portion of said film roll is suspended in mid-air."

"[Claim] 2 In the context of a lens-equipped film unit which is pre-equipped with unexposed film contained therein, which is such that exposure of this film is imparted by way of an exposure imparting mechanism as a result of operation of a shutter means,

and which is rendered incapable of reuse after removal of film following shooting of photographs, a lens-equipped film unit characterized in that an unexposed roll of film is arranged at one side of a film exposure frame within the aforesaid unit and a patrol[4] possessing a rotating spool at the interior thereof is arranged at the opposite side of the film exposure frame, the spool and one end of the unexposed film being previously [mutually] secured, the unit's film advance operation means being coupled to the spool which is supported rotatably within the aforesaid cartridge, permitting the aforesaid unexposed film to be wound and taken up into the cartridge following operation of the aforesaid shutter means, and the aforesaid unexposed film roll being formed by withdrawing [unexposed film] from where it is housed within the aforesaid cartridge during a step in the manufacture of said unit, there being a raised guide surface formed at this unexposed film roll housing so as to contact the outermost roll surface of the unexposed film roll at only the top and bottom of the inner wall surface thereof."

Appendix B

(2) Utility Model Right <2>

"In the context of a lens-equipped film unit wherein a photographic unit body having photograph shooting capability and such that unexposed film wound into roll form is housed in a film supply chamber and operation of a film winding member causes exposed film to be wound and taken up into a film cartridge provided at a film take-up chamber is covered by an outer enclosure possessing an opening exposing the photograph-shooting-capable region, a lens-equipped film unit characterized in that a light-occluding member which covers a film removal access hole is provided at the base of the film take-up chamber of said photographic unit body, and perforations being formed at a portion of the outer enclosure corresponding to the region of this light-occluding member, a portion of the aforesaid outer enclosure is capable of being disengaged [therefrom]."

(3) Utility Model Right <3>

"In the context of a lens-equipped film unit containing unexposed film, one end of which is secured to a film spool in an optically dense film container arranged at a take-up region and the other end of which is [wound] into a roll and arranged at a film supply region, and

such that with each exposure imparted to this film as a result of operation of a shutter means, [the exposed film] is wound and taken up into the aforesaid film container, a sprocket driven in rotary fashion as a result of film movement being arranged in the film path, a lens-equipped film unit characterized in that arranged therein, in the vicinity of the axis of this sprocket, are a shutter drive member that causes opening and closing of a shutter, a latching member that regulates single-frame film advance and latches with the aforesaid shutter drive member, and a film counter that is arranged above the aforesaid latching member and that enables rotary motion of a film take-up knob and disables this latching member [upon shooting of] a prescribed number of photographs, and arranged therein, co-axially with the axis of the aforesaid sprocket, are a cam member that engages with the aforesaid shutter drive member and causes setting of the shutter drive member, a regulating member having a cutout that causes regulation of the aforesaid latching member upon completion of single-frame advance, and a single-toothed gear that drives the film counter, latching and unlatching of the latching member with respect to the manual aforesaid film take-up knob causing control of rotary motion of the film take-up knob, and, simultaneous with release of engagement between the aforesaid cam member and the

shutter drive member upon completion of single-frame film advance, the cutout of the regulating member causes regulation of the latching member and the aforesaid shutter drive member is latched, finishing setting of the shutter."

(4) Utility Model Right <4>

"[Claim] 1 In the context of a lens-equipped film unit preloaded with unexposed film and provided with an exposure imparting mechanism that imparts exposure to said film and a film feed mechanism, a lens-equipped film unit characterized in that it comprises a paper cover made of paper decorated with ornamentation that covers the exterior surface of the unit and that possesses openings at least at a lens region and an operation region, a body cover molded from synthetic resin and covered by said paper cover, and mechanism components including the aforesaid feed mechanism and the aforesaid exposure imparting mechanism provided within the aforesaid body cover, thickness-reducing openings that prevent interference with a protruding portion of the aforesaid mechanism components being formed in the aforesaid body cover, and the aforesaid thickness-reducing openings being covered by the aforesaid paper cover.

Appendix B

"[Claim] 2 A lens-equipped film unit as described at utility model registration claim 1 wherein the aforesaid protruding portion of mechanism components is a portion of the take-up knob.

"[Claim] 3 A lens-equipped film unit as described at utility model registration claim 1 wherein the aforesaid protruding portion of mechanism components is a bulging region of the exposure imparting mechanism."

(III) Designs pursuant to design rights <5> through <7> are as described at the attached Registered Design Applications.

2 Sale and So Forth of Defendant Product by Defendants

(I) Defendant K & J is selling lens-equipped film units as described at Attached List (I) through (III) (hereinafter collectively referred to as "defendant product," and referred to individually as "defendant product (I)" or the like), and defendant Batorii Nonnon is selling defendant products (II) and (III), [such sales] in each case being within Japan (however there is dispute as to whether defendant K & J is still engaged in import and sale of defendant product at the present time).

Appendix B

II In each case, defendant product is such that lens-equipped film units sold by plaintiff in Japan and South Korea have been subjected to a procedure by which the film therein has been replaced and so forth, defendant product (I) is changed from the plaintiff product (hereinafter "plaintiff product (I)") with the sole marking "Utsurun desu" on its surface, defendant product (II) is changed from the plaintiff product (hereinafter "plaintiff product (II)") with the marking "Super 800" on its surface, and defendant product (III) is changed from the plaintiff product (hereinafter "plaintiff product (III)") with the marking "hyojun panorama kirikae" on its surface, all respectively having had the film therein replaced and so forth (hereinafter plaintiff products (I) through (III) are collectively referred to as "plaintiff product").

The structures of plaintiff products (I) through (III) are, except for the points listed below, identical to those of defendant products (I) through (III).

Film unit front cover 10 and back cover 11 are coupled from the front and back by film unit body 9, the base of body 9 and the base of back cover 11 are thereafter ultrasonically welded and joined, and furthermore, two pin electrodes are inserted at the joint of the

right side of body 9 (as viewed from photographic lens 5) and back cover 11, and ultrasonic treatment thereof causes welding peripheral to where the pins are inserted, and by means of joining of a hook 13 and a hole corresponding thereto provided on body 9 and back cover 11, the two are [mutually] fastened at the remaining regions.

(III) Defendant Batorii Nonnon is selling, as defendant product, plaintiff product sold by plaintiff in Japan and brought to [film] developing sites following use thereof by ordinary consumers, which [defendant Batorii Nonnon] has purchased and has replaced the film therein and so forth. Defendant K & J was importing from repacking vendors, and selling, plaintiff product sold by plaintiff in South Korea and brought to [film] developing sites following use thereof by ordinary South Korean consumers which the above vendors had purchased and replaced the film therein and so forth.

The sequence of steps in the repacking procedures carried out by the South Korean repacking vendors and caused to be carried out by defendant Batorii Nonnon is as follows.

(1) In the event that lens-equipped film unit 1 is equipped with a paper cover, this is removed.

(2) The region at which body 9 and back cover 11 are joined (this joined region including a region joined

ultrasonically) is pried open or the welded region is broken and back cover 11 is peeled away from body 9.

(3) In order to cause engagement with several teeth formed on the drive shaft of take-up knob 23, a metal fixture or the like is used to form, on the top of an engagement piece at the inner wall of an axial hole in a commercially available cartridge 21, a keyed groove comprising several internal teeth that mesh with the above engagement teeth.

(4) In a darkroom, film 2 is then withdrawn from cartridge 21 and wound onto film roll form, and cartridge 21 and said film 2 in roll form are loaded into cartridge chamber 22 and unexposed film housing 19 of lens-equipped film unit 1.

(5) The counter is preset to zero at the time of this loading, and perforations of film 2 are engaged with sprocket 31, which is driven by film movement.

(6) Back cover 11 is thereafter closed, blocking [entry of] light within lens-equipped film unit 1. In the event that light-occluding regions are broken as a result of prying operations or welded regions are broken during disassembly of lens-equipped film unit 1, light-occluding adhesive tape is applied as necessary in order to ensure occlusion of light.

(7) Finally, the exterior is covered with a paper cover 14 prepared by [the repacking vendor] itself to yield the finished lens-equipped film unit.

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3 Relationship Between Rights of Plaintiff and Defendant Product

(I) Whereas plaintiff product is the embodiment of patent right <1> and utility model rights <2> through <4>, defendant product in each case falls within the technical scope of utility model rights <2> through <4>. Furthermore, of the descriptions at patent claims 1 and 2 in the specification associated with patent right <1>, defendant product satisfies [all] structural [limitations] except "a lens-equipped film unit, which is rendered incapable of reuse after removal of film following shooting of photographs" (defendants dispute whether the aforementioned exception is satisfied).

(II) Whereas plaintiff product (I) is the embodiment of design right <5>, plaintiff product (II) is the embodiment of design right <6>, and plaintiff product (III) is the embodiment of design right <7>, defendant product (I) is identical or similar to a design pursuant to design right <5>, defendant product (II) is identical or similar to a design pursuant to design right <6>, and defendant product (III) is identical or similar to a design pursuant to design right <7>.

II Points of Dispute in the Present Case

1 Whether defendant product falls within the technical scope of patent right <1> (whether, of the descriptions at patent claims 1 and 2 in the

specification associated with patent right <1>, [defendant product] satisfies the structural [limitation] "a lens-equipped film unit, which is rendered incapable of reuse after removal of film following shooting of photographs").

2 Whether the rights in the present case have been exhausted as a result of sale of plaintiff product in Japan and South Korea.

3 Whether enforcement of the patent rights in the present case by the plaintiff in the present case constitutes abuse of rights (Civil Code Article 1 Section 3)

4 The amount of damages incurred by plaintiff.

III Contentions by Parties with Respect to Points in Dispute

1 With Respect to Point of Dispute 1 (Whether Patent Right <1> Is Satisfied)

(I) Contention of Plaintiff

That, of the descriptions at patent claims 1 and 2 in the specification associated with patent right <1>, "incapable of reuse" at "a lens-equipped film unit which is rendered incapable of reuse after removal of film following shooting of photographs" should be taken to mean by the user (see column 5,

line 2 of published patent pursuant to patent right <1> (Plaintiff's Exhibit No. 4-2)).

That because defendant product is such that it cannot be reused by the user, it falls within the technical scope of patent right <1>.

(II) Contention of Defendants

That because defendant product is such that it is capable of reuse even after removal of film following shooting of photographs, it does not fall within the technical scope of patent right <1>.

2 With Respect to Point of Dispute 2 (Whether There Is Domestic Exhaustion or International Exhaustion)

(I) Contention of Defendants

(1) That a decision by the Third Lower Court of the Supreme Court on July 1, 1997 (*Minshu* Vol. 51, No. 6, page 2,299) holds that, with respect to domestic exhaustion, "in the event of transference within Japan of patented product by a patentee or a licensee, patent rights associated with said patented product should be understood to have fulfilled their purpose and to have been exhausted, the effect of patent rights not extending to acts such as use, transfer, or lease of said patented product."

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That whereas defendant Batorii Nonnon is selling, as defendant product, plaintiff product sold by plaintiff in Japan and brought to film developing sites following use thereof by ordinary consumers, which [defendant Batorii Nonnon] has then purchased and had the film replaced and so forth; the above plaintiff product is such that, as a result of sale thereof by plaintiff, the rights executed in connection with plaintiff product (patent rights, utility model rights, and design rights) have fulfilled their purpose and have been exhausted, and the effect of the rights in the present case does not extend to acts such as sale of defendant product by defendant Batorii Nonnon.

(2) That the aforecited Supreme Court decision holds that, with respect to international exhaustion, "in the event of transference outside of Japan of patented product by a Japanese patentee or by one capable of being viewed as same, except where the patentee has an agreement with the transferee to the effect that, with respect to the transferee, Japan is excluded as a destination of sale or as a region of usage of said product, it is reasonable for a third party receiving transfer of the patented product from the transferee and subsequent purchasers thereof, except where there is an agreement to the above effect with the transferee and this is plainly indicated on the patented product, to understand that enforcement of patent rights associated with said product will not be allowed within Japan."

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That whereas defendant K & J imported from repacking vendors, and sold plaintiff product sold by plaintiff in South Korea and brought to film developing sites following use thereof by ordinary South Korean consumers which the above vendors had purchased and replaced the film therein and so forth, because at the time of sale of plaintiff product within South Korea plaintiff had no agreement with the transferee to the effect that Japan was excluded as a destination of sale or as a region of usage of said product, and moreover, plaintiff product was not indicated with [a statement] to such effect, enforcement of the rights in the present case (patent rights, utility model rights, and design rights) cannot be allowed with respect to acts such as sale of defendant product by defendant K & J.

(1) That because plaintiff product is such that the important part thereof, both structurally and in terms of value, is the film unit body which is equipped with photograph shooting capability, its life as a commercial product is not extinguished after removal of exposed film at a [film] developing site following shooting of photographs by a consumer. That because with respect to plaintiff product the defendants are only replacing a consumable film, and so forth, without making any change to the structure thereof, the acts of the defendants cannot be considered to be the manufacture of an item which would represent execution of the rights in the present case.

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That inasmuch as the life of plaintiff product is not lost, the life of the design practiced by the plaintiff is also not lost, and acts of the defendants whereby the paper cover is removed from plaintiff product and [plaintiff product] is covered with a paper cover 14 [which the defendants have] prepared themselves should be considered to be repairs to the design practiced by the plaintiff.

(II) Contention of Plaintiff

(1) That whereas the contention of domestic exhaustion and international exhaustion should be considered to be a defense requiring that the defendant substantiate assertions [made], product sold and so forth by the defendant and "patented product" sold by the patentee would have to be treated identically under patent law for this defense to be valid. Furthermore, that the question of whether these are identical should be determined based on whether patented product and so forth sold by the patentee and the like and product sold by the defendant can be considered to be identical under patent law in light of accepted social convention after taking into consideration the totality of the various circumstances, such as the character of product distributed by plaintiff, the state of product at the time it was acquired by defendant, the acts of the defendant, the intent of the patentee, and so forth, and in making such a determination it is necessary to take into consideration whether the circumstances

listed as grounds for the several arguments of exhaustion apply to enforcement of industrial property rights with respect to the defendant product in question. That, for example, where domestic exhaustion is at issue, it is necessary to take into consideration the [following] points: whether enforcement of patent rights with respect to the acts of the defendant in question is in keeping with the best interests of society and the general public, whether enforcement of such patent rights would impede the smooth distribution of patented products, and whether, with respect to the acts of the defendant in question, compensation for disclosure of the invention can be said to be ensured without recognition of enforcement of such patent rights. That when the present case is viewed from such a standpoint, based on points such as the following, defendant product cannot be treated as being identical to plaintiff product under patent law, so the arguments for domestic exhaustion and international exhaustion are invalid (the statements made above and the statements made below apply equally to utility model rights and design rights, as well as to patent rights).

(2) That because plaintiff product is, as its name implies, a "single-use camera" (single use camera[5]) which obviously cannot be used repeatedly because of its structure, the life of plaintiff product ends at the stage where, after the consumer finishes

5. *Repetition here is due to fact that Japanese source text provides English translation in parentheses. —Tr.*

shooting photographs with the film contained therein and sends plaintiff product to a [film] developing site, a [film] developing site pries open the cover of said product and removes the film, at which stage it can be said that it is no longer "lens-equipped film[6]." That, accordingly, in the event that the above dismantled item is thereafter subjected to processing and lens-equipped film falling within the scope of the rights in the present case is manufactured, because based on accepted social convention this would be a separate product from plaintiff product, it would infringe the rights in the present case.

That at the stage where the consumer delivers plaintiff product to a [film] developing dealer after finishing shooting the number of photographs for which it is capable of being used, property rights are forfeited with respect to [all] parts of plaintiff product except the film (until plaintiff began recycling operations with respect to plaintiff product, these had in fact been discarded). That, accordingly, it can be said that the economic value of plaintiff product is more or less completely depleted at the stage where the film is removed therefrom. That, moreover, because there is considerable difficulty in reusing plaintiff product from which the film has been removed, the financial value of plaintiff product from which the film has

6. *Here and below, this may be a typographical error intended to have been* "lens-equipped film unit." —*Tr.*

been removed is extremely low, and it can be said that its life as a commercial product has ended.

That, as described above, the commercial life of plaintiff product has ended at the stage where the [film] developing site has finished taking the film therefrom. That, accordingly, if the above plaintiff product is thereafter subjected to processing and lens-equipped film falling within the scope of the rights in the present case is manufactured, there is no doubt but that this would infringe said rights.

(3) That the repacking procedures which are carried out by South Korean repacking vendors, and which defendant Batorii Nonnon causes to be carried out by domestic vendors, on used plaintiff product is an extremely complex operation, and that this in and of itself should be treated as an act of new manufacturing.

That patent right <1> and utility model rights <2> through <4> all have as patent claim or utility model claim "a combination of a lens-equipped film mechanism and cartridge-enclosed film which is contained therein," and preloaded unexposed film clearly constitutes such essential feature. That because replacement of used plaintiff product film causes defendant product to be such that unexposed film and the like are newly imparted thereto, this being an indispensable structural feature of patent right <1> and utility model rights

<2> through <4> and constituting the core of the technical idea, it should be treated as lacking in identity with plaintiff product under patent law.

That whereas the designs pursuant to design rights <5> through <7> all pertain to the camera body and the paper-box-like outer enclosure which covers same, because defendant product is such that the camera body is covered by a newly manufactured outer enclosure, it should be considered that an act causing new formation of a design has been carried out.

(4) That defendant product has many defects as compared with plaintiff product, and in this sense as well it should be treated as being different from plaintiff product based on accepted social convention.

(5) That defendants are using defendants' own trademarks on defendant product, and furthermore, are displaying their own names on defendant product as manufacturers thereof, in light whereof it should be considered to be the case that even defendants themselves are selling defendant product while acknowledging that defendant product and plaintiff product are different products.

(1) That plaintiff has consistently made it clear, since the time it first began selling plaintiff product, that plaintiff product will not be returned to the consumer after developing [of film] and the

lens-equipped film camera thereafter has become a social fixture, it being a well-known fact that ordinary consumers have completely acknowledged this point. That, accordingly, prior to commencement by plaintiff of recycling and partial reuse, i.e. at a point in time when used plaintiff product was being discarded, consumers understood used plaintiff product to be mere junk. That because plaintiff has in recent years been carrying out recycling and partial reuse of used plaintiff product and has made this fact known to the world through public relations activities, most ordinary consumers [have come to] understand that used plaintiff product undergoes recycling or reuse in some form or the other.

(2) That because plaintiff sold plaintiff product with the understanding that plaintiff product was not to be subjected to repeated use, there is no margin for thinking that at the time of sale of plaintiff product the plaintiff was consenting to sale of used plaintiff product which has been subjected to processing by a third party. That, furthermore, because when plaintiff product is transferred in the marketplace it is not intended that used plaintiff product will be employed to manufacture repacked goods, it certainly cannot be said that transactional acts involving plaintiff product were carried out under the assumption that transferees would acquire rights allowing [plaintiff product] to be employed to manufacture repacked goods following termination of plaintiff product life. That, accordingly, in the

present case, there will be no harm whatsoever done to smooth distribution of patented product in the marketplace and free flow of goods despite recognition of enforcement of the rights in the present case with respect to defendant product. That, furthermore, plaintiff product is such that at the stage where the consumer brings it to a [film] developing dealer after being finished with use of it, life of the product is ended, consideration for the rights in the present case obtained by plaintiff as a result of sale of plaintiff product corresponds to the time until the above end of life of plaintiff product. That because plaintiff product is a product which is not to be subjected to repeated use, it is impossible that plaintiff should, at the time of sale of plaintiff product, establish a price with the intention that used plaintiff product will be employed to manufacture repacked goods. That, because, as described above, all of the points listed in a decision by the Third Lower Court of the Supreme Court on July 1, 1997 (*Minshu* Vol. 51, No. 6, page 2,299) and urged as grounds for affirming domestic exhaustion in the present case are invalid, there is no margin for establishing domestic exhaustion.

(3) That, furthermore, because in the present case it cannot be said that it could have been foreseen from the state of international transactions that plaintiff product sold outside of Japan would be manufactured as repacked goods outside of Japan and imported into Japan, just because at the time of

sale of plaintiff product in South Korea the plaintiff did not reserve [the right] to prohibit sale of repacked goods in Japan and did not indicate product [to this effect], this certainly cannot be interpreted as implicit consent to sale of defendant product within Japan. That, accordingly, because the points listed in the aforecited Supreme Court decision and urged as grounds for affirming international exhaustion in the present case are missing, there is no margin for establishing international exhaustion.

(4) That, because, after considering all points as described above, plaintiff product and defendant product are not identical product under patent law (industrial property right law) in light of accepted social convention, and furthermore, the prerequisites necessary for domestic exhaustion or international exhaustion as held in the Supreme Court case are not met, there is no margin for a valid defense in the present case based on an argument for either domestic exhaustion or international exhaustion.

2 With Respect to Point of Dispute 3 (Whether There Is Abuse of Rights)

(I) Contention of Defendants

That, even if for the sake of argument the rights in the present case are not exhausted, enforcement of the rights of plaintiff in the

present case cannot be allowed inasmuch as it would be an abuse of rights. That is, that given the increasing seriousness of the trash problem in today's society, while plaintiff has been neglectful in its efforts with respect to trash processing/recycling processing of used plaintiff product, [plaintiff] is at the same time seeking to enforce the rights in the present case and prohibit defendants' recycling activities, and such acts on the parts of the plaintiff should not be allowed from the standpoint of the best interests of society and the general public. That is, that enforcement of the patent rights in the present case by the plaintiff with respect to the acts of the defendants constitutes abuse of rights (Civil Code Article 1 Section 3) and cannot be allowed.

(II) Contention of Plaintiff

That plaintiff has already created a system for recycling of plaintiff product, having recovered approximately 70% [thereof], and is engaged in reuse and reutilization as raw material, and the allegation made by defendants that plaintiff has been neglectful in its efforts with respect to trash processing/recycling processing is inconsistent with fact. That on the other hand, the acts of the defendants are for the purpose of their own business interests, and with respect to recycling operations themselves, it cannot be said that [the defendants] have any

serious awareness of the environmental problem, since for example [the defendants] make no consideration whatsoever for items that cannot be reused, such as reutilization as raw material. That is, that enforcement of the patent rights in the present case by the plaintiff with respect to the acts of the defendants does not constitute abuse of rights.

3 With Respect to Point of Dispute 4 (the Amount of Damages to Plaintiff)

(I) Contention of Plaintiff

(1) Amount of Damages Due to Sales by Defendant K & J -

That defendant K & J sold a total of 142,652 units (itemized as 121,267 units of ordinary repacked cameras and 21,385 units of black-and-white sepia repacked cameras) of defendant products (I) through (III) from June of 1994 to December of 1997, sales therefrom being 73,087,305 yen (itemized as 61,850,805 yen in ordinary repacked cameras and 11,236,500 yen in black-and-white sepia repacked cameras).

That plaintiff claims damages as follows.

<1> That as a result of sale of plaintiff product, plaintiff obtains a profit of at least 50 yen for every one unit of plaintiff

product. That, accordingly, there are damages equal to defendant K & J's sales quantity of 142,652 units multiplied by 50 yen, or 7,132,600 yen (Patent Law, Article 102, Section 1; Utility Model Law, Article 29, Section 1; Design Law, Article 39, Section 1).

<2> That as a result of sale of defendant product, defendant K & J obtained a profit of at least 10% of the amount of sales. That, accordingly, there are plaintiff damages equal to 7,308,730 yen, which corresponds to 10% of the above sales amount of 73,087,305 yen (Patent Law, Article 102, Section 2; Utility Model Law, Article 29, Section 2; Design Law, Article 39, Section 2).

<3> That whereas plaintiff product has been extremely well received in the marketplace since it first went on sale and has a record of high sales, the rights in the present case pertain to the basic structure of plaintiff product and the amounts of royalties in the event that the rights in the present case were respectively licensed separately would be not lower than 7% of sales for patent right <1>, 5% [of sales] for utility model right <3>, and 3% [of sales] for each of utility model right <2> and <4> and design rights <5> through <7>, and even in the event that

a plurality of these rights were embodied in a single product, royalties would still exceed 10% of sales. That, accordingly, there are plaintiff damages equal to 7,308,730 yen, which corresponds to 10% of the 73,087,305 yen amount of sales of defendant product by defendant K & J (Patent Law, Article 102, Section 3; Utility Model Law, Article 29, Section 3; Design Law, Article 39, Section 3).

That, of the above damages, plaintiff demands 5,000,000 yen from defendant K & J.

(2) Amount of Damages Due to Sales by Defendant Batorii Nonnon

That defendant Batorii Nonnon sold a total of 664,805 units of defendant products (II) and (III) from November of 1995 to October of 1997, sales therefrom being 305,671,000 yen (note that while defendant Batorii Nonnon admitted to the above sales quantity

[Seal:] [*illegible*] the Court, Tokyo District Court

and sales amount at Preparatory Documentation (vii) (dated January 29, 1998), this was thereafter retracted at Preparatory Documentation (xvi) (dated January 31, 2000), but because there is nothing to substantiate that the above admission might have been made

contrary to truth, withdrawal of the admission cannot be allowed).

That plaintiff claims damages as follows.

<1> That as a result of sale of plaintiff product, plaintiff obtains a profit of at least 50 yen for every one unit of plaintiff product. That, accordingly, there are damages equal to defendant Batorii Nonnon's sales quantity of 664,805 units multiplied by 50 yen, or 33,240,250 yen (Patent Law, Article 102, Section 1; Utility Model Law, Article 29, Section 1; Design Law, Article 39, Section 1).

<2> That as a result of sale of defendant products (II) and (III), defendant Batorii Nonnon obtained a profit of at least 10% of the amount of sales. That, accordingly, there are plaintiff damages equal to 30,567,100 yen, which corresponds to 10% of the above sales amount of 305,671,000 yen (Patent Law, Article 102, Section 2; Utility Model Law, Article 29, Section 2; Design Law, Article 39, Section 2).

[Seal:] Cle . . . [*illegible*]

<3> That whereas plaintiff product has been extremely well received in the marketplace since it first went on sale and has a record of high sales, the rights in the present case

pertain to the basic structure of plaintiff product and the amounts of royalties in the event that the rights in the present case were respectively licensed separately would be not lower than 7% of sales for patent right <1>, 5% [of sales] for utility model right <3>, and 3% [of sales] for each of utility model right <2> and <4> and design rights <5> through <7>, and even in the event that a plurality of these rights were worked in a single product, royalties would still exceed 10% of sales. That, accordingly, there are plaintiff damages equal to 30,567,100 yen, which corresponds to 10% of the 305,671,000 yen amount of sales of defendant products (II) and (III) by defendant Batorii Nonnon (Patent Law, Article 102, Section 3; Utility Model Law, Article 29, Section 3; Design Law, Article 39, Section 3). From among the aforementioned damages, the plaintiff demands 30 million yen from defendant Batorii Nonnon Co., Ltd.

(II) Defendant Claims

Defendant K and J Co., Ltd. confirms that, from June 1994 to December 1997, it sold the defendant's product (I) through (III) in the quantities claimed by the plaintiff, and that the proceeds of sales therefrom are exactly as claimed by the plaintiff.

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Defendant Batorii Nonnon Co., Ltd. disputes the sales quantities and proceeds from the defendant's product (II) and (III) from November 1995 through October 1997. From November 1995 through October 1997, defendant Batorii Nonnon Co., Ltd. sold a total of 536,638 units of defendant's product (II) and (III) (itemized as 331,194 ordinary repacked cameras, and 205,444 black and white sepia repacked cameras), and sales therefrom amounted to 292,763,205 yen (itemized as 139,692,530 yen in ordinary repacked cameras, and 153,070,675 yen in black and white sepia repacked cameras).

The defendants dispute the profits earned on each of the plaintiff's products, as claimed by the plaintiff. The plaintiff has constructed a collection system for the purpose of collecting and recycling the plaintiff's products, and must certainly incur large expenses in the management and maintenance of this system. When considering these expenses within the cost price of the plaintiff's products, the profit per individual unit of the plaintiff's products should be considerably reduced.

The defendants deny the profit ratio claimed by the plaintiff, in regard to the defendants' products. None of the defendants received any profits from the sales of the defendants' products, and in fact incurred a loss.

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The defendants opened up the market for the defendants' products at their own expense, and when sales of the defendants' products were finally underway due to management efforts taken, the defendants were met with a lawsuit by the plaintiff. This led to a sharp decrease in the number of retail stores that handle the defendants' products, and closed the market for these products. Ultimately, no profits were realized from the sales of the defendants' products.

The defendants deny the sum claimed by the plaintiff as appropriate to the execution of rights related to this matter. In statistical documentation, examples using 8 percent were the most common, although there also exist high ratio cases that include compound rights. Even in light of this, the execution fee ratio of 10 percent claimed by the plaintiff is too high.

From among the defendants' products that have been sold by the defendants, black and white sepia cameras have been handled at higher prices than ordinary repacked cameras, since the former can be repacked with film that allows printing in sepia tones. This camera is a product that is original to the defendants, and no product is available from the plaintiff that is compatible to these defendants' product. Therefore, even if black and white sepia repacked cameras fall under the technical scope

of the rights related to this case, it should be considered that an original creation of the defendants would contribute to those sales.

Number 3
Decision of This Court

I. Regarding Dispute 1 (Sufficiency of patent right <1> for Defendants' Products)

Claim 1 and Claim 2 of the patent claim range of specifications related to patent right <1> state, "a lens-equipped film, which is rendered incapable of reuse after removal of film following shooting of photographs." Further, within the detailed explanation of the same specifications manual, it states as an example of testing to solve problems of prior technology: "We are performing tests using 35-millimeter film (135 film) in the lens-equipped film unit. Further, we used 35-millimeter film that contains Patrone and conforms to the International Standards Organization (ISO: version 1007-1979). By constructing the unit so that this film is unable to be removed without dissembling or breaking the lens-equipped film unit, it is not possible for the user to reuse the unit. It could be considered to be a lens-equipped film unit that is able to utilize existing development processing systems at the film development location." (Patent Official Report (A 4-2) paragraph 4, line 39; paragraph 5, line 5).

Further, as explanation to the operational example of this patented invention, it states, "Rear lid 3 is affixed to the base of the main unit 2 by means of ultrasound welding, and it is

constructed so that users are unable to remove this." (Same Public Patent Official Report 8, paragraph 8, lines 15-17) In light of these statements, the term "incapable of reuse" in Claims 1 and 2 of the patent means that the average consumer who has purchased a lens-equipped film unit is unable to reuse the unit.

According to the description of items in Attached List (I) through (III), the defendants' products are constructed so that front cover 10 and back cover 11 are connected to main unit 9 partially by hook 13 at the front and back, and then affixed by means of blackout adhesive tape. Since this construction makes it difficult for the average consumer to reload film without exposing it to light, it should be considered that the construction does not allow reuse, once the film has been removed after shooting photographs. Therefore, the defendants' products sufficiently fulfill the construction recorded in Claim 1 and Claim 2 of patent claim range, e.g.: "a lens-equipped film unit, which is rendered incapable of reuse after removal of film following shooting of photographs."

Therefore, this construction belongs within the technical scope of the invention listed in patent right <1>.

II. Regarding Dispute 2 (Results of completely exhausted domestically and completely exhausted internationally)

1. Regarding Domestic Consumption

(1) In the event that the holder of patent rights or the holder of operating rights, having received consent from the holder

of patent rights, has transferred the product related to that patented invention (hereinafter referred to as "the patented product") domestically in Japan, the patent rights related to that patented product will be completely exhausted as having achieved that purpose, and it should no longer be valid for the patent rights to utilize, transfer, or loaning acts, etc., of that patented product. (Refer to Superior Court 1995 (O) Number 3 Lower Court Decision Number 1988, July 1, 1997, *Minshu*, Volume 51, Number 6, page 2299).

(2) However, after the patented product has been completed its effect, it is appropriate for the patentee to understand that it is permissible for the patent rights to that patented product to be executed. Perhaps (1) as with normal transactional acts, it is a precondition that the transferee of the patented product shall obtain the right to freely use and retransfer, etc. the target product for business purposes, separate from the execution of the patent-holder's rights. While transactions are executed in the marketplace, it is a precondition that the aforementioned usage and retransfer, etc. of the patented product serves this purpose. Until this product is no longer able to serve this purpose due to wear or deterioration of parts over the years, it is not expected that the transferee would use or retransfer that product. Therefore, even if it is understood that the effectiveness of the patent rights extend to the patented product after usage is completed, the free distribution of merchandise in the market place will not be hindered. (2) Even if the patent holder understands that the effectiveness of the patent extends to the patented product after usage is completed, and as the patent holder has obtained public compensation for the

patented invention limited to the usage and retransfer, etc. of that product up until the usage is completed, once the patented product has been transferred, the patent holder is unable to earn double profits. Conversely, when a patented product, which has received processing, etc. after usage is completed, is used or retransferred, this strips the opportunity for a new demand for the patented product, and ultimately harms the patentee.

The phrase "when the usage of the patented product is completed" as used in the sections above typically covers those cases in which parts of the patented product have become physically worn down over the course of time, or when changes in the chemical composition of those materials cause the product to actually become unusable, but may also be interpreted to include those cases in which the product may still physically be capable of being used numerous times, but such re-usage is prohibited due to health and sanitary reasons (for example, disposable syringes and disposable contact lenses, etc.). The above phrase is interpreted to include the accepted social convention that usage is completed due to being used a fixed number of times, regardless of whether the product is physically capable of being used numerous times. (Patented products that are unable to be used due to physical wear or altered materials, etc. are usually disposed of, and while not expected to cause problems under the Patent Law, products that are physically capable of being used, regardless of the accepted social convention that usage is completed, could become problematic as to whether or not the patentee can permit rights of execution regarding that re-usage or retransfer.) In this case, the period in which usage of the patented product

should be completed is not intentionally determined by the patentee or the manufacturers or the salespeople of the patented product, but should be judged with general consideration given to conditions such as the functions, structure, quality, use, usage format and the actual transactional conditions of that product.

(3) Further, even if the main materials composing the essential portions of the patented invention within this patented product have been excluded and new materials have been replaced into this product, it is appropriate to understand that the patentee can permit rights of execution in regard to that product. Perhaps in this case, it is no longer possible to state that this product is still identical to the patented product that the patentee has transferred.

Even if the parts and materials are those that originally composed the patented invention, repair of the product by either replacing some parts and materials (such as light bulbs for electric machinery and waterproof packing in machinery to be used under water, etc.) with a shorter durability period than disposable items (such as batteries for electric machinery, and filters, etc.) and the entire product, or by replacing some parts and materials that have been damaged, the product should not lose any of the characteristics that make it identical to the original product.

(4) In regard to the responsibility to prove claims, should the other party protest against the execution of rights by the patentee, this proves the claims that the product in question has its origins in the patented product that has been transferred by the patentee, etc., and it is possible to avoid

the execution of the patentee's rights by reason of having completely exhausted them. As grounds for re-protesting against this, it is appropriate for the patentee to understand that it is able to deny the consisting of such complete exhaustion by proving its claim that usage of the product in question has already been completed, or that the main parts and materials that compose the essential parts of the patented invention have been replaced.

(5) The items indicated in the aforementioned (I) through (IV) shall apply not only to patent rights, but also to utility model rights and design rights.

2. Regarding International Termination

In the event that a patentee in our country, or any other such party deemed to be so, transfers a patented product overseas, excluding cases in which the patentee has reached an agreement with the transferee excluding our country from being said product's sales or usage region, it is appropriate to understand that the patentee is not permitted to execute patent rights for that product in our country, excluding those cases in which it has been clearly indicated that a third party or subsequent purchaser has received the patented product from the transferee under agreement with said transferee. (Superior Court No. 3 Lower Court Decision, July 1, 1997 referenced above.) However, with respect to the case indicated above, when the use of the patented product is completed, or when the main parts and materials comprising the essential components of the patented invention within the patented product have been replaced, it is appropriate to understand that the rights of execution by the patentee are

permitted. Perhaps (1) the transferee shall be capable of executing transactions conditional upon all rights obtained that were held by the transferring party, and this shall hold equally true for the patented product as well, even in overseas economic transactions. However, since this is conditional upon the patented product fulfilling its effectiveness, it shall not impede the free distribution of the product in international transactions, even if it is understood that patent rights are valid for the patented product after its usage is completed. (2) Naturally, the patentee should not be expected to predict that the transferee, or a third party who has received the patented product from the transferee, would import the patented product into our country after the usage of that product is completed, or would use or transfer the patented product in our country.

(3) Further, products for which the main materials comprising the essential portions of the patented invention have been replaced are unable to be considered as the same patented product that has already been transferred by the patentee.

Therefore, the patentee shall be able to execute its patent rights related to the patented product by proving the claims that an agreement has been formed with the transferee which excludes our country from said patented product's sales and usage region, and that use of the patented product, for which suspension, etc. is requested by clearly stating this matter on the patented product, has already been completed, or that main parts or materials that constitute the essential parts of the patented invention in the patented product have been replaced. The aforementioned points shall apply not only to patent rights, but also to utility model rights and design rights.

Appendix B

3. Examination of this issue

(I) In the present issue, the plaintiff's product is an operational item with patent right <1>, practical utility rights <2> through <4>, and design rights <5> through <7>. Defendant Batorii Nonnon Co., Ltd. purchases the plaintiff's products, sold domestically in Japan by the plaintiff, and which have been used by general consumers and brought to development centers, and then makes them work by replacing the film, and selling them as the defendant's product. Defendant K & J Co., Ltd. has a Korean repacking company purchase the plaintiff's products, sold domestically in Korea by the plaintiff, which have been used by general consumers in Korea and brought to development centers, and has them perform work such as replacing the film, and then imports these products from the above vendors to sell. Therefore, the defendants' products sold by the defendants are originally the plaintiff's products that have all been sold by the plaintiff in Japan or Korea. Further, when selling the plaintiff's product in Korea, no agreements have been made between the plaintiff and the transferees that exclude our country from said product's sales or usage region. And further, there are no indications of this matter on the plaintiff's product.

There are no disputes regarding these issues between the parties involved, so the plaintiff shall be unable to execute its patent rights upon the defendants' products, so long as the reasons to obstruct the establishment of domestic and international termination, as indicated previously, are not recognized.

(II) In regard to this point, the plaintiff has claimed that (1) the plaintiff's product is a "single use camera" that is incapable of being reused, and that consumers who complete the installed film send the plaintiff's product to a development center, and that the life of the plaintiff's product is completed at the stage when the film is removed at the development center; (2) the defendants' products are structural elements vital to patent right <1> and utility model rights <2> through <4>, and since the newly contributed non-exposed film, etc. forms the basis of the technological concept, they lack similarity with the plaintiff's product; (3) the designs in design rights <5> through <7> all pertain to the exterior of the paper-box shape that covers the main camera unit, and since the defendants' products are made to cover the main camera unit by means of a newly manufactured exterior unit, work has been performed to newly shape out the design.

In this regard, we shall examine the propriety of the above claims made by the plaintiff.

(III) The following facts will be recognized if all facts, evidence, exhibits (A 11 and 12) and all subject of arguments that are not a part of the aforementioned dispute are pieced together.

(1) The plaintiff's product is constructed so that front cover 10 and back cover 11 of the film unit are connected to main unit 9 of the film unit at the front and back, and then joined by welding the base of main unit 9 to the base of back cover 11 ultrasonically. It is difficult for consumers who have

completed their use of the film contained within the plaintiff's product to remove the shot film from the main film unit without exposing the film to light.

(2) When removing film from the plaintiff's product at the development center after that film has been shot, the connecting parts, which include a hook, etc., are broken. The hook and the portion that has been welded and joined ultrasonically are broken when the back cover is removed from the main unit in order to load new film inside. Therefore, when replacing the film of the plaintiff's product, the product to which the back cover has been re-affixed must be of poorer quality and functionality than the plaintiff's product, due to its reduced blackout abilities.

(3) The plaintiff's product has been sold as a "disposable camera" ever since it was first introduced in 1987. Consumers who have purchased the plaintiff's product bring the film unit as an entire unit to a development agent after having completely shot the film loaded within, and after processing, receive completed photographs and negative film. The film unit itself is not returned to consumers. In this manner, it is widely accepted by general consumers that, after shooting, the film unit itself is not retained by consumers. The plaintiff's product is widely accepted in the marketplace, and large quantities of this product are sold (with records of over 50 million units sold in 1997). At the time that the defendants began their business of selling the

defendants' products in 1994, the plaintiff's product was already commonly recognized amongst the general society.

(IV) According to the fact of recognition indicated above, after general consumers have purchased the plaintiff's product and completely shot the film contained within, they send the product to a development center via a development agent, where the film that has been shot is removed. It is an accepted social convention that the usage of the plaintiff's product is completed at this moment in time. Therefore, circumstances should exist that obstruct the establishment of domestic and international termination of patent right <1>, utility model rights <2> through <4> and design rights <5> through <7> that have been exercised upon the plaintiff's product. Thus, it is permitted for the plaintiff to exercise these rights in regard to the defendants' products.

(V) Further, in regard to design rights <5> through <7> from among the rights relevant to this matter, due to the fact that there is no dispute over the aforementioned matter, once the paper cover, which is a main part in composing the design of the aforementioned design rights for the plaintiff's product, is removed during the film reloading procedure, paper cover 14 which has been prepared by the defendants is attached. Therefore, the defendants' products have exchanged a main part that composes an essential portion of the design,

and it is not possible to evaluate these as being identical to the plaintiff's product. From this perspective as well, the establishment of a domestic and international termination is denied.

(VI) The defendants claim that the life span of the product does not come to an end after the used film has been removed from the plaintiff's product at the processing center, that the defendants remove the paper cover from the plaintiff's product, and that the act of covering the unit with paper cover 14 that the defendants have themselves prepared, is a repair of the design that has been exercised by the plaintiff. However, at the point in time that the shot film is removed at the processing center, usage of the plaintiff's product is commonly considered by society to be completed. In regard to design rights <5> through <7>, the claim that the defendants' act of removing the paper cover from the plaintiff's product and covering it with paper cover 14 makes the defendants' product lose its similarity to the plaintiff's product has been explained previously. The claims of the defendant are unable to be accepted.

III. Regarding Dispute 3 (Issue of Abuse of Rights)

If all facts, evidence, exhibits (A9, A12, B11) and subject of arguments that are not a part of the aforementioned dispute are pieced together, the defendants are removing film at the processing centers after consumers use the plaintiff's product, completing its usage, and collecting items that have become

economically worthless, whereby the defendants reload film and sell these units as the defendants' products. In the event that the plaintiff itself does not have its own recycling system in place for the plaintiff's products, the actions of the defendants would be socially valued from the standpoint of reusing resources and reducing waste volume. However, even when considering the above points, it is not possible to comprehend that the plaintiff's execution of rights related to this matter would not be permitted due to being an abuse of rights, in regard to the defendants' acts of sales, etc of the defendants' products.

Further, the defendants claim that modern day society is faced with a serious garbage problem, and that the plaintiff is neglecting efforts to process garbage and perform recycling after usage of the plaintiff's product, while at the same time exercising rights related to this matter in order to prevent the defendants' recycling activities. However, according to all of the evidence (A9, 12) and arguments presented, it is recognized that the plaintiff has created and is managing a recycling system for the plaintiff's product, whereby this system collects much of the used plaintiff's products, and reuses them as resources in order to manufacture new products. The defendants' claims omit these preconditions, and they are therefore unable to be accepted.

4. Regarding Dispute 4 (Amount of Plaintiff Damages)

(1) There is no dispute that, from June 1994 through December 1997, Defendant K and J sold a total of 142,652 units of defendants' product (1) through (3), and that the proceeds therefrom were 73,087,305 yen.

Appendix B

According to all of the evidence (B18 through 20, and 22) and arguments presented, it is recognized that, from November 1995 through October 1997, defendant Batorii Nonnon sold a total of 536,738 units of defendants' products (2) and (3) (itemized as 331,194 units of ordinary repacked cameras, and 205,444 black and white sepia repacked cameras), and the proceeds therefrom were 292,763,205 yen (itemized as 139,692,530 yen from ordinary repacked cameras, and 153,158,675 yen from black and white sepia repacked cameras). Since defendant Batorii Nonnon claimed in preparatory letter (7) (dated January 29, 1998) that its sales quantities were 664,805 units, and proceeds therefrom were 305,671,000 yen, the plaintiff claims that this later claim differs from the earlier claim, falling under a withdrawal of confession and cannot be permitted. In the aforementioned preparatory letter, it states, "Explain the attached calculation table related to defendant Batorii Nonnon. (Please note that accuracy is lacking for the monetary amounts due to incomplete calculations for the period of November 1996 through October 1997. Further, it is possible that the monetary amounts for some articles other than the articles contained in petition appendix list (2) and (3) have been included.)" Further, since the sales quantities and sales proceeds claimed in the aforementioned preparatory letter differ from the aforementioned sales quantities and sales proceeds that have been recognized in the evidence (B18 through 20), the claims of defendant Batorii Nonnon are contrary to the truth, to the extent that they differ

with the aforementioned recognized evidence, and should be permitted to be withdrawn due to being based on error.

(II) Next, in order to examine the amount of damages incurred by the plaintiff that were conditional upon the aforementioned sales quantity and proceeds, first, in regard to a suitable operational rate for the rights indicated in the present matter, according to all evidence ("Operational Rate Percentage - Volume 4," published by the Invention Council Research Center) and subjects of arguments that are not a part of the aforementioned dispute, the role of the plaintiff's product which contains various rights related to this matter, and the plaintiff's product itself have gained great social interest, have performed favorably in the market place, and have recorded large record sales. When generally considering the facts such as sales quantities and sales proceeds, it is appropriate to consider the suitable operational rate for all various rights related to defendants' products (1) through (3) to be 8 percent of the sales price for each product.

Moreover, the defendants claim that, from among the defendants' products, it should be considered that the defendants' originality in regard to repacked black and white sepia cameras has contributed to sales. However, since repacked black and white sepia cameras sell for a higher price than ordinary repacked cameras, the amount of profit obtained by the defendants from sales of repacked black and white sepia cameras at the aforementioned operational rate becomes a larger sum in turn. Thus, this does not impede the acknowledgement of the same operational rate as with an ordinary repacked camera. Further, in regard to the period

during which defendant K and J sold the defendants' products related to the request for damage compensation (from June 1994 through December 1997), a portion of the following periods occurred prior to registration: patent right <1> (registered October 7, 1994), utility model rights <4> (registered June 6, 1994), 7 similar designs within design rights <5> (registered August 5, 1994), design rights <6> (registered September 9, 1994) and design rights <7> (registered November 22, 1994). However, all of the various rights related to this matter pertain to lens-equipped film units.

Moreover, the defendants claim, that from among the defendants' products, it should be considered that the defendants' originality in regard to repacked black and white sepia cameras has contributed to sales. However, since repacked black and white sepia cameras sell for a higher price than ordinary repacked cameras, the amount of profit obtained by the defendants upon the sales of repacked black and white sepia cameras at the aforementioned operational rate becomes a larger sum in turn. Thus, this does not impede the acknowledgement of the same operational rate as with a ordinary repacked camera. Further, in regard to the period during which defendant K and J sold the defendants' products related to the request for damage compensation (from June 1994 through December 1997), a portion of the following periods occurred prior to registration: patent right <1> (registered October 7, 1994), utility model rights <4> (registered June 6, 1994), 7 similar designs within design rights <5> (registered August 5, 1994), design rights <6> (registered September 9, 1994) and design rights <7>

(registered November 22, 1994). However, all of the various rights related to this matter pertain to lens-equipped film units, and their contents are closely related. From among these, assuming that it is possible to recognize suitable execution fees of at least 5 percent of the sales amount for patent right <1> which individually serves as the central core of the various rights related to this matter, suitable execution fees for items that have been exposed to rights after registration, prior to the registration of patent right <1> and after the registration of utility model rights <4>, is five percent of the sales amount. According to evidence (B22), there was no defendants' product as sold by defendant K and J prior to the registration of utility model rights <4>.) After registering patent right <1>, it is recognized that the appropriate amount for joining the rights of the registered product is estimated to be eight percent of the sales amount. And according to the evidence (B22), defendant K and J sold the defendants' product prior to the registration date of patent right <1>, namely October 7, 1998, and the sales volume of the defendants' products was 3,063,845 yen. It has been recognized that the amount of sales of the defendants' products after that date is 70,023,460 yen.

According to the Patent Law article 102 clause 3, the Utility Model Law article 29 clause 3, and the Design Law article 39 clause 3, the amount of damages incurred by the plaintiff by defendant K and J is 153,192 yen, which is five percent multiplied by 3,063,845 yen – the amount of sales performed by defendant K and J prior to registration of patent right <1>; and 5,601,876 yen, which is eight percent multiplied by 70,023,460 yen – the amount of sales performed by defendant K and J after registration of patent right <1>,

for a total of 5,755,068 yen. The amount of damages by defendant Batorii Nonnon is recognized to be 23,428,096 yen, which is eight percent multiplied by 292,851,205 yen – the total amount of sales performed by Batorii Nonnon.

For the damage claims based on the Patent Law article 102 clause 1, the Utility Model Law article 29 clause 1, and the Design Law article 39 clause 1, the plaintiff claims that the plaintiff's profits per individual unit of the plaintiff's product is 50 yen, and for the damage claims based on the Patent Law article 102 clause 2, the Utility Model Law article 29 clause 2, and the Design Law article 39 clause 2, the plaintiff claims that the defendants' profit is ten percent of sales of the defendants' products. However, there is no evidence that sufficiently supports these figures.

(III) Therefore, there are grounds for the plaintiff to request damage compensation from defendant K and J, and grounds for requesting damage compensation from defendant Batorii Nonnon, limited as indicated in clause 4 of the main text.

5. Conclusion

Further, defendant K and J has already terminated the import and sales of the defendants' products, and claims that it no longer engages in this act at the present time. However, there is no evidence that sufficiently indicates that this defendant has completely terminated its import and sales activities in regard to this matter. Further, there are no claims that prove that defendant K and J has notified its retail sales locations and its customers of the

fact that it has withdrawn its sales of the defendants' product. Therefore, it should be recognized that the plaintiff has not lost its rights to demand that defendant K and J suspend the import, sales, etc. of the defendants' products.

According to the above, the plaintiff's claims against defendant K and J have numerous grounds, and the claims against defendant Batorii Nonnon have grounds that are limited to items 2 and 4 in the main text.

Therefore, a decision has been reached as indicated in the main text.

Tokyo Regional Court, Civil Affairs Division 46

Kazuichi Mimura, Chief Justice
Michio Wakuta, Judge

Koichi Tanaka, Judge

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APPENDIX C — 35 U.S.C. § 295

UNITED STATES CODE ANNOTATED
TITLE 35. PATENTS
PART III—PATENTS AND PROTECTION
OF PATENT RIGHTS
CHAPTER 29—REMEDIES FOR INFRINGEMENT
OF PATENT, AND OTHER ACTIONS

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Current through P.L. 107-89, approved 12-18-01

§ 295. Presumption: Product made by patented process

In actions alleging infringement of a process patent based on the importation, sale, offer for sale, or use of a product which is made from a process patented in the United States, if the court finds —

(1) that a substantial likelihood exists that the product was made by the patented process, and

(2) that the plaintiff has made a reasonable effort to determine the process actually used in the production of the product and was unable so to determine,

the product shall be presumed to have been so made, and the burden of establishing that the product was not made by the process shall be on the party asserting that it was not so made.

APPENDIX D — SUPPLEMENTAL EXPERT REPORT OF ANDREW W. CARTER

CONFIDENTIAL-SUBJECT TO PROTECTIVE ORDER

UNITED STATES DISTRICT COURT
DISTRICT OF NEW JERSEY

Civil Case No. 99-2937 (NHP)

Fuji Photo Film Co., Ltd.,

Plaintiff,

v.

Jazz Photo Corp., Jazz Photo Hong Kong Ltd. and Jack Benun,

Defendants.

SUPPLEMENTAL EXPERT REPORT OF ANDREW W. CARTER

{REDACTED}

Supreme Court, U.S.
FILED
MAY 20 2002

No. 01-1376

IN THE

Supreme Court of the United States

FUJI PHOTO FILM CO., LTD.,

Petitioner,

v.

JAZZ PHOTO CORPORATION
AND DYNATEC INTERNATIONAL, INC.,

Respondents.

On Conditional Cross-Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

RESPONDENTS' BRIEF IN OPPOSITION

JEFFREY I. KAPLAN
KAPLAN & GILMAN, LLP
900 Route 9 North
Woodbridge, New Jersey 07095
(732) 634-7634

Counsel for Jazz Photo Corp.

LARRY R. LAYCOCK
DAVID R. WRIGHT
L. DAVID GRIFFIN
WORKMAN, NYDEGGER & SEELEY
1000 Eagle Gate Tower
60 East South Temple
Salt Lake City, Utah 84111
(801) 533-9800

Counsel for Dynatec International, Inc.

CARTER G. PHILLIPS*
STEPHEN B. KINNAIRD
MICHAEL S. LEE
JULIE N. ZAMPA
SIDLEY AUSTIN BROWN & WOOD LLP
1501 K Street, N.W.
Washington, D.C. 20005
(202) 736-8000

Counsel for Respondents

May 20, 2002

* Counsel of Record

WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D. C. 20001

QUESTIONS PRESENTED

1. Whether the replacement of film and battery in a patented camera, which is sold preloaded with film free and clear and without restriction by the patent owner, amounts to reconstruction of an entirely new camera on the template of the original.

2. Whether the patent owner may prevent reuse of a product that is sold free and clear simply by drafting claims in method format rather than apparatus format.

LIST OF PARTIES

In addition to the parties named in the caption, Opticolor, Inc. was a respondent before the International Trade Commission and an appellant before the United States Court of Appeals for the Federal Circuit. The following additional parties were respondents before the International Trade Commission but were not appellants before the Federal Circuit:

Achiever Industries Ltd.
Ad-Tek Specialties Inc.
AmerImage, Inc. d/b/a Rainbow Products
Argus Industries
Boechs Camera LLC
Boshi Technology Ltd.
BPS Marketing
China Film Equipment Corp.
E.T. Trading Ltd. d/b/a Klikit
Fast Shot
Forcecam, Inc.
Haichi International Inc.
Innovative Trading Co.
Labelle Time, Inc.
Linfa Photographic Ind. Co. Ltd.
Opticam Inc.
P.S.I. Industries, Inc.
Penmax, Inc.
PhilmEx Photographic Film
Rino Trading Co., Ltd.
Sakar International, Inc.
T.D.A. Trading Corp.
Vantage Sales, Inc.
Vivitar Corporation.

RULE 29.6 STATEMENTS

Respondent Jazz Photo Corporation ("Jazz Photo") has no parent corporation, and no other publicly held corporation owns more than 10% of its stock. Respondent Dynatec International, Inc. ("Dynatec") has no parent corporation, and no other publicly held corporation owns more than 10% of its stock. Dynatec has filed for bankruptcy, and its successor in interest with regard to the ongoing business concerns at issue in this case is Grandway U.S.A Corporation ("Grandway"). Grandway has no parent corporation, and no other publicly held corporation owns more than 10% of its stock. On May 13, 2002, Grandway filed a motion with this Court requesting that Grandway be substituted in the place and stead of Dynatec in case number 01-1158.

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STATEMENT OF THE CASE

Petitioners rely on the statement of the case presented in their own petition for certiorari.

REASONS FOR DENYING THE CONDITIONAL CROSS-PETITION

The two questions presented by Fuji Photo Film Co., LTD's ("Fuji") conditional cross-petition are not remotely worthy of this Court's review. Not only were the Federal Circuit's rulings on these issues correct, but, as is evident by Fuji's own convoluted statement of the issues (Cross-Pet. 2-3), these are inherently factbound questions of no importance to anyone except the parties to the proceedings below. Fuji presents no conflict of authority; to the contrary, the Federal Circuit directly relied on all the precedents that Fuji now states the court below "overruled," *id.* at 11. See Petition Appendix ("Pet. App.") 9a-17a. At bottom, Fuji claims (wrongly) that the Federal Circuit misconceived the evidence before (and findings of) the International Trade Commission ("ITC") and misapplied the precedents. This Court has admonished that "[a] petition for a writ of certiorari is rarely granted when the asserted error consists of erroneous factual findings or the misapplication of a properly stated rule of law." Sup. Ct. R. 10.

On the first question presented, the Federal Circuit correctly applied a long, uninterrupted, and consistent body of case law from this Court as well as the Federal Circuit in holding that petitioners were not "reconstructing" or "making entirely anew" a camera when they simply replaced the unpatented and expendable film, paper label, and where necessary, a battery, in a camera containing many dozens of electronic and mechanical parts. The first complaint voiced by Fuji is that the Federal Circuit allegedly "overruled" prior case law on reconstruction by applying the repair doctrine to

articles that were fully "spent." This is simply wrong; the Federal Circuit specifically held (in line with this Court's precedent) that whether refurbishment of an article was permissible repair depended on the remaining useful capacity of the item (i.e., whether it is spent) and the nature of the replacement parts and process. Pet. App. 16a. In this case, the court of appeals determined based on the evidence of record that the processed lens-fitted film packages (LFFPs) retained useful capacity as a camera, and that under its precedents and those of this Court the process associated with the reloading of film and changing of batteries was permissible repair under the patent laws. *Id.* at 9a-18a.

Fuji thus manufactures its claim of a cataclysmic change in patent law based on a misreading of the opinion below. In the end its claims dwindle to a factual dispute about whether processed LFFPs are spent.

Fuji's related argument that reconstruction had to be determined not based on principles of patent exhaustion, but on an implied-in-fact license from the vendor as to the permitted use of the article, is unsound and was directly rejected by this Court in *Wilbur-Ellis Co.* v. *Kuther*, 377 U.S. 422 (1964). Nothing in the repair ruling below requires this Court's intervention, as the issue involves no error of law and no conflict of authorities, has no general importance, and has at best limited effect on how the precedent would be applied to some other specific future refurbished product.

On the second question presented, Fuji complains that the Federal Circuit improperly applied the repair doctrine to a method claim. Fuji's contention that the ruling below conflicts with prior Federal Circuit precedent is baseless; none of those cases deals with methods used to manufacture the patented article in which rights have been exhausted. The Federal Circuit's opinion fully conforms with prior precedent on the subject, and recognizes the practical reality that patent claims can be, and usually are, drafted in both method and apparatus format to protect any particular invention.

Moreover, as more fully discussed below, Fuji's rights are substantially identical whether the invention is protected by method or apparatus claims. It would truly elevate form over substance if the same invention, which provides the same economic incentive for research and development and the same reward to the patent owner, could be subject to patent exhaustion differently depending upon the particular interchangeable format selected in drafting the patent claims.

I. THE FEDERAL CIRCUIT'S DECISION ON CAMERA REPAIR IS NOT WORTHY OF THIS COURT'S REVIEW.

Courts have recognized for over a century that once a patented device is sold, the patent owner's rights are exhausted and all subsequent owners of the device have the right to use the product for its entire useful life, including the right to repair that product. The right to "make" however, remains with the patent owner. See, *e.g.*, *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 346 (1961) ("*Aro I*"); *Wilson* v. *Simpson*, 50 U.S. (9 How.) 109, 125-26 (1850); *Hewlett-Packard Co.* v. *Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445, 1451 (Fed. Cir. 1997). In *Aro I*, this Court adopted the following test, which is the controlling standard for this proceeding:

> The decisions of this Court require the conclusion that reconstruction of a patented entity, comprised of unpatented elements, *is limited to such a true reconstruction of the entity as to "in fact make a new article," after the entity, viewed as a whole, has become spent. In order to call the monopoly conferred by the patent grant[] into play for a second time, it must, indeed, be a second creation of the patented entity* .... Mere replacement of individual unpatented parts, one at a time, whether of the same part repeatedly or different parts successively, is no more than the lawful right of the owner to repair his property.

365 U.S. at 346 (emphasis added; citations omitted). The Court held in *Aro I* that the replacement of worn-out fabric in patented convertible automobile tops did not constitute reconstruction of the patented combination. *Id.* It specifically rejected the "heart of the invention" test, holding: "No element, not itself separately patented, that constitutes one of the elements of a combination patent is entitled to patent monopoly, however essential it may be to the patented combination and *no matter how costly or difficult replacement may be*." *Id.* at 344-45 (emphasis added).

A few years after the *Aro I* decision, this Court revisited the repair doctrine and again rejected a patentee's claim of infringement. In *Wilbur-Ellis*, defendant purchased second-hand fish-canning machines that were "regarded as 'junk'" and had been unused for years. *Kuther* v. *Leuschner*, 200 F. Supp. 841, 844 (N.D. Cal. 1961), *aff'd*, 314 F.2d 71 (9th Cir. 1963), *rev'd sub nom. Wilbur-Ellis Co.* v. *Kuther*, 377 U.S. 422 (1964). The machines were so corroded and rusted that extensive cleaning and sandblasting was necessary to make them operable. 377 U.S. at 423. Originally, the machines were designed for canning one-pound cans, but some corrosion was so severe the only way to make the machines work was to convert the machines to five-ounce cans. *Id.* Numerous elements of the patented combination were resized or relocated and the refurbished machines were different from the new ones. The machines had been procured after being discarded as junk. This Court concluded this was repair, not reconstruction. *Id.* at 424. It held: "Petitioners in adapting the old machines to a related use were doing more than repair in the customary sense; but what they did was kin to repair for it bore on the useful capacity of the old combination, on which the royalty had been paid." *Id.* at 425.

As *Aro I* and *Wilbur-Ellis* demonstrate, and as the Federal Circuit has noted repeatedly, "[t]he Supreme Court has taken an *expansive view* of conduct that constitutes permissible repair of a patented combination of unpatented elements."

Sage Prods. Inc. v. *Devon Indus., Inc.*, 45 F.3d 1575, 1578 (Fed. Cir. 1995) (emphasis added). See also, *Aktiebolag* v. *E.J. Co.*, 121 F.3d 669, 672 (Fed. Cir. 1997); *Kendall Co.* v. *Progressive Med. Tech., Inc.*, 85 F.3d 1570, 1574 (Fed. Cir. 1996). The decisions of the Federal Circuit also show that the bounds of permissible repair are extremely broad and encompass every type of activity other than fully making a new product.

This sweeping application has allowed the following activities under the repair doctrine: full disassembly into component parts and mixing and matching parts (*General Electric Co.* v. *United States*, 572 F.2d 745, 780-81 (Ct. Cl. 1978) (per curiam); *Dana Corp.* v. *American Precision Co.*, 827 F.2d 755, 756-57 (Fed. Cir. 1987)), grinding (*Wilbur-Ellis*, 377 U.S. at 423), sand-blasting (*Wilbur-Ellis*, *id.*), changing parts of the patented combination – including "key" parts (*Aro I*, 365 U.S. at 344; *Dana*, 827 F.2d at 756-57), changing shapes of things (*Wilbur-Ellis*, 377 U.S. at 423; *Hewlett-Packard*, 123 F.3d at 1449), refurbishing machines for a use not possible when the machines were originally sold, (*Wilbur-Ellis*, 377 U.S. at 423), disassembling the parts down to all their components, separating the components, and mixing parts from different products to be refurbished before reassembling the products (*General Electric*, 572 F.2d at 780-81; *Dana*, 827 F.2d at 756-57), implementation of an assembly line to disassemble and repair products (*Dana*, *id.* at 759), cracking welds (*Hewlett-Packard*, 123 F.3d at 1449), refurbishing in a manner not intended or contemplated by the patent owner, (*Hewlett-Packard*, *id.* at 1448; *Wilbur-Ellis*, 377 U.S. at 423), refurbishing previously discarded products regarded as junk by the original owners (*Dana*, 827 F.2d at 756-57; *Wilbur-Ellis*, 377 U.S. at 423; *Champion Spark Plug Co.* v. *Emener*, 16 F. Supp. 816, 819 (E.D. Mich. 1936)), placing adapters onto used products to make them work with nonconforming parts never intended to be used with the product (*Everpure, Inc.* v. *Cuno, Inc.*, 875 F.2d 300, 301

(Fed. Cir. 1989); *Surgical Laser Technologies, Inc.* v. *Surgical Laser Products, Inc.*, No. CIV. A. 90-7965, 1992 WL 245892, at *1 (E.D. Pa. Sept. 16, 1992)), reusing items that reached the end of their economic life but maintained useful physical capacity (*Micromatic Hone Court* v. *Mid-West Abrasive Co.*, 177 F.2d 934, 936 (6th Cir. 1949); *Dana*, 827 F.2d at 756-57), and disregarding single-use only labels (*United States Surgical Corp.* v. *Orris, Inc.*, 5 F. Supp. 2d 1201, 1203 (D. Kan. 1998), *aff'd*, 185 F.3d 885 (Fed. Cir. 1999) (table) (per curiam)). These illustrate the broad scope of the right of repair. In short, courts repeatedly have recognized that to be a reconstruction, the defendant must truly "make" a product, similar to the way a new product is manufactured.

Here, the Federal Circuit did no more than correctly apply this body of case law, and specifically disavowed any notion that it was establishing a general bright-line rule, repeating the admonition that "it is impracticable, as well as unwise, to attempt to lay down any rule on this subject, owing to the number and infinite variety of patented inventions." Pet. App. 10a (quoting *Goodyear Shoe Mach. Co.* v. *Jackson*, 112 F.146, 150 (1st Cir. 1901)); see also *FMC Corp.* v. *Up-Right, Inc.*, 21 F.3d 1073, 1079 (Fed. Cir. 1994) ("Each case, as it arises, must be decided in light of all the facts and circumstances presented ... the scope, nature, and purpose of the patented invention .... specification and claims of the patent, together with the condition of decay or destruction of the patented device or machine").

Fuji nonetheless implausibly insists that the Federal Circuit established a "line so bright as to overrule every case that has ever found reconstruction," Cross-Pet. 12. That is a distortion of the ruling below. The Federal Circuit did not hold, implicitly or explicitly, that the right to repair persists "after the entity, viewed as a whole, has become spent," *Aro I*, 365 U.S. at 346; *Wilbur-Ellis*, 377 U.S. at 425 (repair must bear "on the useful capacity of the old combination" of elements).

To the contrary, the Federal Circuit specifically held that the repair doctrine "requir[es] consideration of the remaining useful capacity of the article, and the nature and role of the replaced parts in achieving that useful capacity." Pet. App. 16a. The Federal Circuit thus pointedly did not ignore whether the product was spent, but analyzed both the condition of the article and the nature of the refurbishing process to determine if reconstruction of an entirely new article occurred, just as *Aro I* instructs. 365 U.S. at 346. Here, the Federal Circuit held, based on the evidence of record, that a processed LFFP retains useful capacity as a camera, agreeing with petitioners that "all of the original components of the LFFP except the film and battery have a useful remaining life, and are reused." Pet. App. 16a. Thus, the court of appeals properly concluded that "[o]n the totality of the circumstances, the changes made by the remanufacturers all relate to the replacement of the film, the LFFP otherwise remaining as originally sold." *Id.* at 17a. It is precisely because the LFFP as a whole was not spent, and because it "otherwise [remained] as originally sold," that it retained capacity for use as a camera once limited repairs were conducted. This is why the Federal Circuit ruled as it did.

Fuji has no basis for quarrelling with the Federal Circuit's determination that the LFFP was not spent. The Federal Circuit relied upon prior precedent to determine that a camera was not spent when it needed only new film and a battery. The precedent was properly relied upon because the camera being repaired was far less worn out or spent than, for example, canning machines that were completely inoperable due to most parts being rusted and corroded (*Wilbur-Ellis*, 377 U.S. at 423), or gun mounts that required full disassembly and replacement of numerous components to work again (*General Electric*, 572 F.2d at 780-81). The Federal Circuit properly determined that the activities in question, merely replacing film, battery, where necessary, and

a paper label, could not amount to rebuilding an entire camera if the complete disassembly, resizing, replacing of several parts with new ones, and rebuilding of machines, was repair.

Nor did the Federal Circuit look solely to the lack of complexity of the process used by the reloading facilities, as Fuji complains. Rather, the Federal Circuit held that a camera that is capable of functioning with only new film and battery is not spent. The fact that the Federal Circuit so held by stating that the replacement of film, battery and a label did not amount to reconstruction, rather than by stating that a camera needing only film, battery and paper is not spent is mere semantics. Whether a refurbishing process amounts to reconstruction, or whether the item being refurbished is spent, are merely "two sides of the same coin." *Dana*, 827 F.2d at 759. In any event, the factbound dispute of whether a processed LFFP is "spent" is not the type of issue that this Court sits to review. The claimed conflict with precedent is a phantom.

Nor does Fuji's attempted reliance on *Cotton-Tie Co.* v. *Simmons*, 106 U.S. 89 (1882), dictate a different result. *Cotton-Tie* involved a product that had one major part and one minor part, a band and a buckle used to tie cotton bales. The key fact in *Cotton-Tie* was that, once the original cotton band was severed at the cotton mill, "[i]ts capacity for use as a tie was voluntarily destroyed." *Id.* at 94. For the reconditioned ties, the major part – the band – was not reused, but was replaced by patching together various pieces of used band. *Id.* at 91. Nearly the entire patented item was being rebuilt. Here by contrast, the capacity of the LFFP for use as a camera is not destroyed when the photoprocessor opens the case to remove the film; the processed LFFP still has full capacity for use as a camera and simply needs new film and a battery, which are always replaceable parts in any camera. *Cotton-Tie* thus involves readily distinguishable facts; the ruling below is in no way contrary to it; and regardless this

Court does not sit as a court of error to review claimed misapplication of its precedents to particular facts.

Cotton-Tie is helpful in showing that the proper analysis depends upon the specific invention, how the claims are drafted, and the type of product in issue, which is the same analysis followed by the Federal Circuit in this case. Fuji attempts to characterize *Cotton-Tie* and other cases as standing for the proposition that an item is "spent" when the item "ha[s] fulfilled the original purchaser's expectations," Cross-Pet. 20, and more broadly argues that the permissibility of repair depends not on patent exhaustion but whether the vendor granted an implied-in-fact license to use the good for a specific and limited purpose. *Id.* at 15-18. But this Court directly rejected that argument in *Wilbur-Ellis*.

In *Wilbur-Ellis*, machines were originally sold for the purpose of packing fish into one-pound cans. As noted above, the machines had been abandoned in a factory, sold as junk to a liquidator, and sold again to another party, before being adapted (by substantial refurbishment and resizing of machine elements) to a completely different use from that contemplated at the time of the first sale (the packing of five-ounce cans). 377 U.S. at 423. The patentee argued that because the original use was for one-pound cans, and the machines were spent for that purpose, reconditioning the machines to pack five-ounce cans amounted to reconstruction of a new article; the Court was "asked in substance to treat the case as if petitioners [(the refurbishers)] had a license for use of the machines on '1-pound' cans." *Id.* at 425. But this Court rejected this same implied-in-fact license argument Fuji asserts here, holding instead that because the first sales were "outright, without restriction," the patentee had parted with all rights (*i.e.* exhausted those rights) and the implied license to use thus passed as a matter of law under *Adams* v. *Burke*, 84

U.S. (17 Wall.) 453, 456 (1873).[1] See 377 U.S. at 425. This holding was made despite the fact that neither the original seller nor buyer had contemplated, either expressly or impliedly, that the machines could be used for different sized cans.

Thus, directly contrary to Fuji's claims, Cross-Pet. 18, it is the exhaustion doctrine (and not an implied-in-fact license based on the putative expectations of the purchaser) that determines the scope of permissible repair, and conveys "the right 'to give duration to that which he owns, or has a right to use as a whole.'" *Aro I*, 365 U.S. at 343.[2] In fact, Fuji's argument that the "implications" of the original sale were "for single use only," and that the Federal Circuit should therefore have examined whether the right to reuse can be implied from the facts and circumstances of that sale is virtually identical to the reversed court of appeals opinion in *Wilbur-Ellis*, which held that the facts surrounding the original sale gave rise to an implied license to use only "one pound" cans, and thus, no implied license to modify the machine for use on five-ounce

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[1] This Court's decision in *Aro Manufacturing Co.* v. *Convertible Top Replacement Co.*, 377 U.S. 476, 484 (1964) ("*Aro II*"), which Fuji erroneously cites in support of its implied-in-fact license theory (Cross-Pet. 17), is referring to the implied license to use as a matter of law created by an unrestricted sale under the exhaustion doctrine. *See* Pet. 13-14.

[2] Exhaustion creating an implied license to use an invention is the default rule when there are no restrictions in the sale, but it is well settled the parties by agreement can overcome the default rule and agree upon restrictions on the owner's use or resale of the patented article. Such a limited license may be either express or implied from the circumstances of a sale, but the Federal Circuit ruled that no such restrictions on the exhaustion of rights could be implied from the first sale of LFPPs. Pet. App. 18a-20a. Fuji contests this holding on the bizarre and unsupported claim that implied-in-fact licenses are not contracts requiring a meeting of the minds. But as the Federal Circuit ruled, implied-in-fact licenses are clearly contracts, and all contracts (express or implied in fact) require a meeting of the minds. *Id.* at 20a (citing *Hercules, Inc.* v. *United States*, 516 U.S. 417, 424 (1996)).

cans was granted. *Kuther* v. *Leuschner*, 314 F.2d 71, 73 (9th Cir. 1963). That decision was reversed by this Court, despite this Court's full acceptance of the facts found regarding the circumstances of the first sale.[3]

The rule proposed by Fuji, and previously rejected by this Court, would require subsequent owners of all used products, and the courts, to determine what was intended and expected by the patent owner at the time of the first sale. As Justice Black noted in *Aro I*, "surely the scope of a patent should never depend upon a psychoanalysis of the patentees' or purchasers' intentions." 365 U.S. at 355 (Black, J., concurring). Rather, property rights demand certainty, and once the patent owner sells the product without restriction, subsequent purchasers are under no obligation to assess whether the patent owner intended or expected some other use of the product that the patent owner may subsequently choose to disavow.

In summary, the Federal Circuit properly applied a long line of precedent to the specific patent claims and products in issue here, and correctly determined that the mere replacement, after the last picture was snapped, of film and battery in a camera that was perfectly functional both before and after that last picture was taken did not amount to the reconstruction of the entire camera. There was nothing improper about such an analysis; there is no inconsistent precedent from this Court or any other Circuit; and nothing the Federal Circuit did requires this Court's intervention. Moreover, Fuji's claim that repair rights depend upon uses contemplated, pursuant to a theory of noncontractual implied-in-fact licenses, is inconsistent with the precedents of this Court.

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[3] Numerous other cases subsequent to *Cotton-Tie* have upheld a subsequent purchaser's right to repair the item after the first purchaser finished using the product. *Dana*, 827 F.2d at 758-60; *Champion*, 16 F. Supp. at 821-22 (Discarded spark plugs collected from service stations after being thrown out may be permissibly repaired.).

II. THE METHOD PATENT INFRINGEMENT ISSUE DOES NOT WARRANT THIS COURT'S REVIEW.

In its second question presented on infringement of its method patents, Fuji attempts to conjure up a conflict with prior Federal Circuit precedents by misstating those authorities, which have nothing to do with the exhaustion of patent rights in the methods used to manufacture the article sold. There is no conflict whatsoever, and the Federal Circuit's holding that patent rights in the method for loading film into a camera during manufacture are exhausted by an unrestricted first sale, such that a subsequent purchaser may repair the camera by reloading film, is indubitably correct.

Fuji's reliance, Cross-Pet. 22-24, upon *Glass Equipment Development, Inc.* v. *Besten, Inc.*, 174 F.3d 1337 (Fed. Cir. 1999), and *Bandag, Inc.* v. *Al Bolser's Tire Stores, Inc.*, 750 F.2d 903 (Fed. Cir. 1984), is misplaced. In both of those cases, the issue before the Court was whether the sale of an *unpatented* product implied a right for the defendant to practice a patented method *using* that product. In both cases, the unpatented sold product could have been used to practice many different methods, only one of which was patented. Thus, in *Bandag*, the question was whether sale of tire retreading equipment authorized the purchaser to use that equipment to practice a patented method of retreading given that the equipment had many other unpatented uses, 750 F.2d at 924-26; in *Glass Equipment*, the question was whether the sale of hinged corner keys gave the purchaser the right to use those keys to practice a patented method of assembling spacer frames for insulated windows, where the keys could be used for other purposes. 174 F.3d at 1340-41. Under the facts of these cases, the patent owner had not sold a product embodying the patented method to the defendant and thus had never received any compensation for his rights in the method patent in the purchase price of the article. Where the method was not embodied in the article itself, absent other factors, there was no reason to imply that a license to the method had

been granted as a matter of law by the first sale of the product, when the product also had potential noninfringing uses. Notably, under such facts, the patent owner has no right to restrict sales of the product by anyone, since the product is a staple article of commerce suitable for noninfringing uses. 35 U.S.C. § 271(b), (c). His patent is useless against sales of the product.

The facts of the present case are drastically different because, unlike *Bandag* and *Glass Equipment*, this case does not involve a product which is sold and may be used by the defendant to practice any one of several methods, only one of which is patented. Instead, this case involves a patented method used by the patent owner to maintain the exclusive right to *manufacture* the products in issue, and the first sale by the patent owner of those products free and clear of all restrictions.

The distinction is important because (unlike the patentholders in *Bandag* and *Glass Equipment*) Fuji has already received compensation for all of its manufacturing patents, including the method claim, in the price of the product (or in the royalties from licensees who manufacture or sell the product). Fuji is the only entity entitled to sell new products made by this method. No other entity could have manufactured them in the United States, absent a license from Fuji, nor could such product be legally procured from a source in the United States, since this would involve infringement of the method patent. Moreover, even if a defendant made such products outside the United States, it could not import those products because Fuji's method claim may be used to preclude importation of products made by a patented method even when that method was used to make the product abroad. *Id.* § 271(g). Indeed, if this litigation had involved only a single method claim and no other patent rights, Fuji's rights to proceed in the International Trade Commission under 19 U.S.C. § 1337 would have been exactly

the same, and all of the remedies to which Fuji would be entitled would also have been the same.[4]

Accordingly, Fuji's economic position, and the payment to which it is entitled for its patent rights, is exactly the same whether or not its patent was on the camera itself, or on the method used to make all of the cameras at issue. In either case, Fuji may prevent others from selling such cameras in the United States regardless of where they were made, may license other entities to sell the cameras, may sue for infringement if someone sells the cameras, and may prevent manufacture of the camera in issue. This is because for all cameras in issue, importation of the camera means infringement of the method claim.

Indeed, it is common practice to draft patent claims in both method and apparatus format, and many, if not most, United States patents include both apparatus and method claims. Fuji's economic position and incentive to invent based upon the patent laws is identical in either case, and it would thus elevate form over substance if the doctrine of patent exhaustion were applied differently depending upon the rather arbitrary choice of whether the patent draftsman chose to include method claims for the same invention in the patent. Accordingly, the Federal Circuit properly applied this Court's precedent relating to patent exhaustion in a manner that prevents Fuji from collecting plural royalties for the same patent rights.

The remaining case relied upon by Fuji is also inapplicable to the facts here. *Carborundum Co.* v. *Molten Metal Equip. Innovations, Inc.*, 72 F.3d 872 (Fed. Cir. 1995), involved the

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[4] Note that this would not be the case in the situation of *Bandag* or *Glass Equipment*, cited by Fuji, Cross-Pet. 22-24, where the product may be used to practice numerous methods, only one of which was patented. Such product could be freely imported by anyone, since there are numerous noninfringing uses to which it may be put, and the product itself is not patented. 35 U.S.C. § 271(b), (c).

sale of an unpatented product which was used to build a patented combination. The Federal Circuit held that because the patented combination itself had not been sold, patent exhaustion did not occur. *Id.* at 879-80. Notably, the Federal Circuit explicitly stated that if the entire patented combination had been sold, patent exhaustion would have occurred. *Id.* at 879. Therefore, *Carborundum* has nothing to do with whether a method claim is subject to patent exhaustion. *Carburundum* does state that the first unrestricted sale of patented product would automatically exhaust all patent rights, which is what the Federal Circuit correctly held. *Id.*

In the present case, the only use of the camera sold by Fuji is to take pictures. To prevent a party from loading film into the camera would prevent that party from taking pictures after the first roll of film is used up, which would amount to a restriction that the camera may be used only once. But because Fuji's rights under the method claim are essentially the same as if they only had a product patent, allowing such a restriction would violate this Court's precedent set forth in *Aro I*, and *Wilbur-Ellis*, and would impose after the fact restrictions on subsequent purchasers of the product. For example, under Fuji's view, if a carmaker had patented a necessary method for injecting a lubricant into a car engine during its manufacture, no auto repair shop would be able to change that lubricant to ensure that the owner could continue use of the car, even though the carmaker's patent rights were exhausted by the unrestricted first sale of that particular automobile. While a patented method whose sole use is in the repair of a product and which has not been subject to patent exhaustion may provide for a royalty to the patent owner when the repair is performed, that is not the case here. Instead, Fuji seeks to collect a first royalty when the product is manufactured, or equivalently, to keep for itself a monopoly on manufacture of the product through use of its method patent, and then to collect a second royalty under the

same patent when the same product is repaired by the owner. See Pet. 13-16. This is clearly untenable.

Accordingly, the Federal Circuit properly applied the precedent of this Court and its own precedent in rejecting Fuji's position. The purported conflicts of authority that Fuji drums up are nonexistent. The Federal Circuit's application of longstanding law to the facts of this case was proper, and no error requiring this Court's intervention has been shown.

CONCLUSION

Fuji's conditional cross-petition should be denied in all respects.

Respectfully submitted,

JEFFREY I. KAPLAN
KAPLAN & GILMAN, LLP
900 Route 9 North
Woodbridge, New Jersey 07095
(732) 634-7634

Counsel for Jazz Photo Corp.

LARRY R. LAYCOCK
DAVID R. WRIGHT
L. DAVID GRIFFIN
WORKMAN, NYDEGGER & SEELEY
1000 Eagle Gate Tower
60 East South Temple
Salt Lake City, Utah 84111
(801) 533-9800

Counsel for Dynatec International, Inc.

CARTER G. PHILLIPS*
STEPHEN B. KINNAIRD
MICHAEL S. LEE
JULIE N. ZAMPA
SIDLEY AUSTIN BROWN & WOOD LLP
1501 K Street, N.W.
Washington, D.C. 20005
(202) 736-8000

Counsel for Respondents

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* Counsel of Record

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No. 01-1376

In the Supreme Court of the United States

FUJI PHOTO FILM CO., LTD., CROSS-PETITIONER

v.

JAZZ PHOTO CORPORATION, ET AL.

ON CROSS-PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE FEDERAL CROSS-RESPONDENT INTERNATIONAL TRADE COMMISSION

THEODORE B. OLSON
Solicitor General
Counsel of Record
ROBERT D. MCCALLUM, JR.
Assistant Attorney General
ANTHONY J. STEINMEYER
MARK S. DAVIES
Attorneys
Department of Justice
Washington, D.C. 20530-0001
(202) 514-2217

QUESTION PRESENTED

Whether it is a permissible "repair" of a patented invention to refurbish it once the invention has completed its function and been voluntarily destroyed.

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-25a) is reported at 264 F.3d 1094. The general exclusion order (Pet. App. 160a-163a) and the cease-and-desist orders (Pet. App. 164a-170a, 171a-177a) of the International Trade Commission are unpublished. The final initial and recommended determinations of the administrative law judge (partially reproduced at Pet. App. 53a-159a and Cross-Pet. App. 1a-180a) are unreported.[1]

[1] The petition for a writ of certiorari (No. 01-1158) and the cross-petition (No. 01-1376) were filed under seal with redacted

JURISDICTION

The judgment of the court of appeals was entered on August 21, 2001. A petition for rehearing was denied on November 9, 2001. The petition for a writ of certiorari was filed on February 6, 2002. The conditional cross-petition was filed on March 13, 2002. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

Cross-petitioners Fuji Photo Film Company, et al. (Fuji Photo) filed a complaint with the United States International Trade Commission (ITC) alleging that cross-respondents Jazz Photo Corporation, et al. (Jazz Photo) had infringed Fuji Photo's patents by purchasing used disposable cameras, refurbishing those cameras, and importing them for sale to consumers. The ITC ruled that Jazz Photo's actions infringed Fuji Photo's patents and issued a general exclusion order preventing importation of the refurbished cameras. The court of appeals affirmed in part and reversed in part, remanding the case to the ITC. Pet. App. 1a-25a.

1. The United States patent laws provide that "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent." 35 U.S.C. 101. The patent grants "the right to exclude others from making, using, offering for sale, or selling the invention." 35 U.S.C. 154(a)(1). A person is liable for infringement of a patent if that person "without authority makes, uses, offers to sell, or sells any patented invention." 35 U.S.C. 271(a) (Supp. V 1999).

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public versions. The citations herein refer to the redacted public versions of those documents.

In 1994, Congress amended the United States patent laws to provide patentees with an express right to exclude the importation of infringing products, which became effective on January 1, 1996. See 35 U.S.C. 154(d)(4) (Supp. V 1999). Congress enacted the importation right in order to bring the United States into compliance with Article 28 of the GATT Uruguay Round Agreement on Trade-Related Aspects of Intellectual Property Rights, Including Trade in Counterfeit Goods. See H.R. Rep. No. 826, 103d Cong., 2d Sess. Pt. 1 (1995). The patent law now provides that "Every patent shall contain * * * a grant * * * of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States." 35 U.S.C. 154(a).

The ITC is authorized under Section 337 of the Tariff Act of 1930, as amended, to issue orders excluding products that infringe United States patents from importation into the United States. 19 U.S.C. 1337 (1994 & Supp. V 1999).

2. Fuji Photo invented and marketed the first commercially successful one-time-use camera. Pet. App. 140a. Disposable or one-time-use cameras, technically referred to as "lens-fitted film packages" or "LFFPs," are relatively simple cameras "whose major elements are an outer plastic casing that holds a shutter, a shutter release button, a lens, a viewfinder, a film advance mechanism, a film counting display, and (for some models) a flash assembly and battery." *Id.* at 4a. At the factory, a roll of film is placed in the casing, the casing is made "light-tight" by ultrasonic welding, and a cardboard cover is placed over the casing. *Ibid.* Disposable cameras are intended by the patentee and the consumer to be used only once. *Ibid.* After the con-

sumer has exposed the film, the consumer takes the camera to a photoprocessor who removes the cover and breaks open the casing. *Ibid.* The photoprocessor then either discards the camera, sells the camera back to Fuji Photo for "recycling," or sells it (through intermediaries or directly) to third-party companies that "refurbish" used disposable cameras. See *id.* at 4a; Cross-Pet. App. 57a-61a.[2]

The refurbishing companies take steps to make the used cameras suitable for resale to consumers. On account of discovery disputes, the record does not describe the precise steps the companies take to refurbish the cameras. See Pet. App. 7a. Nevertheless, the principal "common steps" are "removing the cardboard cover, opening the LFFP body (usually by cutting at least one weld), replacing the winding wheel or modifying the film cartridge to be inserted, resetting the film counter, replacing the battery in flash LFFPs, winding new film out of a canister onto a spool or into a roll, resealing the LFFP body using tape and/or glue, and applying a new cardboard cover." *Ibid.*

Cross-respondent Jazz Photo Corporation of New Jersey purchases refurbished disposable cameras from refurbishing companies in China, imports them into the United States, and sells them under the trade names "Jazz DZ35" and "Jazz DZ50." Pet. App. 142a. Cross-respondent Dynatec International Inc., a Utah corporation, imports reloaded cameras from China and sells them in the United States under the trademarks "Fun Pak" and "Dollar General." *Id.* at 141a-142a.

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[2] We follow the court of appeals' use of "'refurbish' as a convenient neutral term without legal significance, intended to connote neither 'repair' nor 'reconstruction' of the used cameras." Pet. App. 2a n.1.

3. Fuji filed a complaint with the ITC alleging that 27 companies, including Jazz Photo, had infringed its 15 patents (twelve utility and three design) relating to disposable cameras. Jazz Photo conceded that the imported cameras, if new, would infringe Fuji's patents. Pet. App. 8a. Jazz Photo relied, however, on the patent-law defense of permissible repair, which allows the owner of a product to repair the product without infringing on the inventor's patent. *Ibid.* Jazz Photo argued that the imported cameras are not new cameras but permissibly "repaired" cameras. *Ibid.*

The ITC instituted an investigation pursuant to Section 337 of the Tariff Act of 1930, 19 U.S.C. 1337 (1994 & Supp. V 1999). The ITC referred the complaint to an administrative law judge (ALJ) for an evidentiary hearing and for issuance of an initial determination. After considering the "nature of the actions by the alleged infringer" (Pet. App. 65a-99a), the intent of the inventor Fuji (*id.* at 100a-113a), the nature of the original single-use camera (*id.* at 113a), and whether a market has developed to service the original single-use camera (*id.* at 113a-115a), the ALJ concluded that the refurbishing companies "are effectively recreating the patented single use camera of [Fuji] and its licensees, and hence are involved in impermissible reconstruction." *Id.* at 127a. The ITC adopted the ALJ's findings of infringement (*id.* at 32a n.4), issued a general exclusion order prohibiting refurbished disposable cameras from entry into the United States (*id.* at 160a-163a), and issued cease-and-desist orders against Jazz Photo and other importers of disposable cameras (*id.* at 164a-179a).

4. The court of appeals affirmed in part and reversed in part. Pet. App. 1-25. The court noted that, unless the reloading constitutes permissible repair, "infringe-

ment of at least some of the patents in suit is conceded." *Id.* at 8a. The "common thread" of the repair precedent, the court stated, is "consideration of the remaining useful capacity of the article, and the nature and role of the replaced parts in achieving that useful capacity." *Id.* at 16a. In the court's view, "the changes made by the remanufacturers all relate to the replacement of the film, the LFFP otherwise remaining as originally sold." *Id.* at 17a. Thus, the court held that "precedent requires that these cameras be viewed as repaired, not reconstructed." *Id.* at 15a.

The court of appeals restricted its holding in two respects. The holding is limited to cameras manufactured by the common steps identified by the ALJ: "LFFPs remanufactured by procedures more extensive than those we hold to constitute repair, or whose remanufacturing procedures were withheld or insufficiently disclosed to the Commission, remain subject to the Commission's orders." Pet. App. 25a. In addition, the holding applies only to cameras first sold in the United States. *Ibid.* The court explained that "[u]nderlying the repair/reconstruction dichotomy is the principle of exhaustion of the patent right," and, according to the court, "United States patent rights are not exhausted by products of foreign provenance." *Id.* at 14a.

Jazz Photo filed a petition for a writ of certiorari (No. 01-1158), seeking review of the portion of the court of appeals' decision that limits its holding to cameras first sold in the United States. As explained in the Memorandum for the Federal Respondent filed in No. 01-1158, the ITC did not rule on the question of exhaustion because the parties had not raised or briefed the issue. Accordingly, the ITC has not taken a position before this Court on whether its review of that question is warranted. See *ibid.*

Fuji filed an opposition to Jazz Photo's petition and additionally filed a conditional cross-petition. The conditional cross-petition presents the question whether the refurbishing companies are engaged in permissible repair.[3]

ARGUMENT

If the Court grants the petition in No. 01-1158, the Court should also grant the conditional cross-petition. Cross-petitioner Fuji is correct that the infringing activities of the refurbishing companies are not excused by the doctrine of permissible repair. See *Cotton-Tie Co.* v. *Simmons*, 106 U.S. 89, 90-91 (1882). The court of appeals' error lies principally in its misapplication of settled law to the facts of this case. Nevertheless, should the Court grant the petition in No. 01-1158, the Court should also grant the conditional cross-petition rather than let stand the central yet incorrect holding of the decision below.

1. This Court has recognized a distinction between "permissible 'repair'" of a patented item and an "infringing 'reconstruction'" of the invention. See *Aro Mfg. Co.* v. *Convertible Top Replacement Co.*, 365 U.S. 336, 342 (1961). The Court's first "authoritative expression on the subject" was *Wilson* v. *Simpson*, 50 U.S. (9 How.) 109 (1850). See *Aro Mfg. Co.*, 365 U.S. at 343 n.9.

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[3] Although a party in the proceedings below, the ITC has no direct stake in the outcome of these petitions. To date, no importer has shown that its refurbishing procedures are limited to the common steps held to be permissible repair by the decision below. Regardless of whether these petitions are granted or denied, therefore, the ITC's exclusion and cease-and-desist orders will remain in force. Nevertheless, to assist the Court, the ITC submits this response, which also reflects the views of the United States and the United States Patent and Trademark Office.

In *Wilson*, the Court recognized the right of the owners of a patented planing machine to replace the cutting blades without permission of the patentee. The Court concluded that, without the ability to replace those knives, the "purchase would have been useless" except for the short time that the original knives remained sharp. 50 U.S. at 125. It additionally observed that no "harm is done to the patentee" when the repair is "confined to the machine which the purchaser has bought." *Id.* at 123.

The Court's later decision in *Cotton-Tie* drew a distinction between repair and reconstruction of the patented invention. In that case, the plaintiffs owned a patent for an "improvement in metallic ties for cotton-bales." 106 U.S. at 89. The patented tie consisted of a hoop of iron and an arrow-shaped buckle that confined the two ends. *Ibid.* Consumers purchased the tie to "confine the cotton in the bale." *Id.* at 91. The tie was placed around the cotton at the cotton-press and then cut at the mill. *Ibid.* Once the tie was cut, the hoop became "too short for the length required for baling." *Ibid.* The defendants purchased as "scrap-iron" the buckles and severed iron hoops; the hoops were "bent" and in "pieces of unequal lengths, some cut at one distance from the buckle, and some at another." *Ibid.* The defendants straightened the old pieces of iron, riveted the pieces together, cut the iron the proper length, and attached an old buckle. *Ibid.* The defendants then sold the refurbished cotton-ties in the same market as the patentee. See *ibid.*

The Court held that the defendants' actions infringed the cotton-tie patents. It first observed that the refurbished cotton-ties were within the claims of the cotton-tie patents. *Cotton-Tie*, 106 U.S. at 93-94. The Court then rejected the defendants' attempt to excuse the

infringement under the doctrine of permissible repair. The Court distinguished *Wilson*, stating that the "principle" of that case is "that temporary parts wearing out in a machine might be replaced to preserve the machine, in accordance with the intention of the vendor, without amounting to a reconstruction of the machine." *Id.* at 94. In the case of the cotton-tie, however, the Court emphasized that the "band was voluntarily severed by the consumer at the cotton-mill because the tie had performed its function of confining the bale of cotton in its transit from the plantation or the press to the mill." *Ibid.* That is, "[i]ts capacity for use as a tie was voluntarily destroyed," and "it could not be used again as a tie." *Ibid.* The Court concluded: "What the defendants did in piecing together the pieces of the old band was not a repair of the band or the tie, in any proper sense." *Ibid.*

Thus, the Court's decision in *Cotton-Tie* held that the principle of permissible repair, recognized in *Wilson*, does not apply if the patented invention has completed its function and been voluntarily destroyed. That decision is controlling in this case, where the material facts are essentially the same. Both inventor and consumer intend for the disposable camera to expose a single roll of film, just as both inventor and consumer intend for the cotton-tie to confine a single bale of cotton. At the photoprocessor, the disposable camera is opened and voluntarily destroyed, just as the tie is cut at the mill and voluntarily destroyed. Both camera and tie have completed their function; the camera can no longer take pictures (because the seal is broken), and the tie can no longer bale cotton (because the tie is cut). The refurbishing companies purchase as scrap the remaining parts of the destroyed camera, just as the cotton-tie defendants purchase as scrap the iron and

buckle. The refurbishing companies then (1) seal the broken casing, much like the cotton-tie defendants straighten the old pieces of hoop; (2) combine parts from several destroyed cameras, much like the cotton-tie defendants rivet together several hoops; and (3) use some of the destroyed camera parts without change, much like the cotton-tie defendants reuse the buckles without change. In both cases, the defendants prepare the refurbished invention for sale in direct competition with the patent holders.

In short, *Cotton-Tie* speaks directly to the issue here and prohibits the activities of Jazz Photo and other refurbishers of disposable cameras. As in *Cotton-Tie*, there is no doubt that defendants' activities infringe the patents unless excused by the doctrine of permissible repair. Pet. App. 8a-9a. That doctrine does not apply where, as here, the patented invention was "voluntarily destroyed" because it "had performed its function." 106 U.S. at 94. As in *Cotton-Tie*, what Jazz Photo and other refurbishers do "in piecing together the pieces of the old" invention is "not a repair of" the invention "in any proper sense." *Ibid.*

Indeed, to permit refurbishment of spent one-time use products would be an unwarranted intrusion on the patentee's exclusive right to sell the invention. When a one-time-use product is refurbished, the market for the refurbished product is necessarily, as in *Cotton-Tie* and this case, the very same market as the market for the invention itself. In those circumstances, the law cannot assume that no "harm is done to the patentee." *Wilson*, 50 U.S. at 123. See generally *Dawson Chem. Co.* v. *Rohm & Haas Co.*, 448 U.S. 176, 220 (1980) (the "repair-reconstruction distinction and its legal consequences are determinative" in the "replacement market out of which the *Aro* litigation arose" but that distinction is

"not controlling" in the "primary-use market" for the patented invention); cf. *Surfco Haw.* v. *Fin Control Sys. Pty, Ltd.*, 264 F.3d 1062 (Fed. Cir. 2001), petition for cert. pending No. 01-863 (filed Dec. 3, 2001) (surf craft patentee may not restrict sale of replacement fins).[4]

The Court's decisions since *Cotton-Tie* confirm the vitality of that decision. In *Aro Manufacturing Co.*, the Court rejected the claim that the defendants had infringed a patent for a convertible car top by providing fabric to replace that unpatented element of the invention. The Court concluded that replacing the worn-out fabric was permissible repair because it was replacement of a "spent, unpatented element." 365 U.S. at 346. The Court contrasted replacing the worn fabric with "a second creation of the patented entity, as, for example, in *Cotton Tie* v. *Simmons*." *Ibid.*; see also *id.* at 343 n.9. And in *Wilbur-Ellis Co.* v. *Kuther*, 377 U.S. 422 (1964), this Court cited *Cotton Tie* as the paradigm case of impermissible "reconstruction." *Id.* at 424 n.1 (repair of rusted canning machine). Because *Aro* and *Wilbur-Ellis* reaffirm the vitality of the *Cotton-Tie* holding, they do not support finding permissible repair where, as here, the invention has completed its function and been voluntarily destroyed.

The court of appeals erred in relying on distinguishable cases involving inventions that were refurbished from disassembled parts that had simply stopped working, but had not been voluntarily destroyed and remained repairable for use in their original intended function. In *Dana Corp.* v. *American Precision Co.*,

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[4] The United States, at the invitation of the Court, is also filing a brief amicus curie in No. 01-863, which will be supplied to the parties in this case.

827 F.2d 755, 758 (Fed. Cir. 1987), the defendants refurbished discarded truck clutches, while in *General Elec. Co.* v. *United States*, 572 F.2d 745 (Ct. Cl. 1978), the defendants refurbished naval gun mounts. In each case, the defendants engaged in extensive efforts to refurbish the patented inventions out of parts derived from non-working used products embodying the invention. But in neither case were those durable goods spent through a single use or "voluntarily destroyed" because their function was complete. The clutches and gun mounts were still very much wanted for their original purposes. Indeed, that was the entire point of the repair. Here, by contrast, the camera's intended function – exposure of a single roll of film – is complete upon a single use. In those circumstances, the extensiveness (or not) of the repair efforts is beside the point.

Nor is the holding of *Cotton-Tie* founded solely on the patentee's intent. The court below correctly noted that "the patentee's unilateral intent, without more, does not bar reuse of the patented article, or convert repair into reconstruction." Pet. App. 16a-17a, citing *Hewlett-Packard Co.* v. *Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445 (Fed. Cir. 1997) (modifying unused printer cartridges akin to repair), cert. denied, 523 U.S. 1022 (1988). See *Surfco Haw.* v. *Fin Control Sys. Pty, Ltd.*, *supra* (holding that a purchaser of a patented product may replace working parts despite the contrary intent of the patentee). And, indeed, although the Court observed that the cotton-ties were stamped with the legend "'Licensed to use once only" (106 U.S. at 91), *Cotton-Tie* did not rely solely on the intent of the patentee. Compare *Bobbs-Merrill Co.* v. *Straus*, 210 U.S. 339, 344 (1908) (the *Cotton-Tie* case "was not decided as one of restricted license") with *Aro Manufacturing Co.*, 365 U.S. at 343 n.9 ("the fact that the ties were marked

'Licensed to use once only,' was deemed of importance by the Court"). Where, as here, the intent of the patentee accords with that of the purchaser, and the intention of single use is confirmed by voluntary destruction of the invention, refurbishing the invention from the scrap materials constitutes an unauthorized making of the invention. *Cotton-Tie*, 106 U.S. at 93. See also *Morgan Envelope Co.* v. *Albany Perforated Wrapping Paper Co.*, 152 U.S. 425, 434 (1894) ("The gist of the [*Cotton-Tie*] decision is that the use of a tie once, and its subsequent severance, were intended to operate as a destruction of it, and that the defendants had no right to put the same parts together for a second time.").

2. If the Court grants the petition in No. 01-1158, the Court should also grant the conditional cross-petition. The question presented by the petition in No. 01-1158 is whether the doctrine of patent exhaustion, which "under[lies]" (Pet. App. 14a) the defense of permissible repair, is available to the purchaser of a patented invention when the first purchase occurs abroad. As explained above, this Court's decision in *Cotton-Tie* should preclude any camera-refurbishing company from prevailing on the defense of repair. Accordingly, there may be no need to consider whether or not the repair defense is available when the first sale is made overseas. Because the court of appeals' ruling on permissible repair in this case departs from *Cotton-Tie*, this Court should review that central holding before reaching the secondary question whether the repair defense is available when the first sale is made overseas. Accordingly, if the Court grants the petition

in No. 01-1158, it should also grant the conditional cross-petition.[5]

CONCLUSION

If the Court grants the petition in No. 01-1158, the Court should also grant the conditional cross-petition limited to the first question.

Respectfully submitted.

THEODORE B. OLSON
Solicitor General
ROBERT D. MCCALLUM, JR.
Assistant Attorney General
ANTHONY J. STEINMEYER
MARK S. DAVIES
Attorneys

MAY 2002

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[5] There is no need for the Court to review the second question presented in the cross-petition. The court of appeals correctly ruled that the defense of repair can excuse infringement of process patents. Pet. App. 21a. If the purchaser of a patented invention is permitted to repair the invention, it would make no sense to prohibit the processes necessary to make those repairs. Thus, if we assume that one could repair a disposable camera by reloading the film, one should be permitted (for that purpose only) to use the patented method—*i.e.*, inserting film in a darkroom—or the right of repair would be meaningless because the repair could not be practiced.

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IN THE

Supreme Court of the United States

FUJI PHOTO FILM CO., LTD.,

Petitioner,

v.

JAZZ PHOTO CORPORATION
AND DYNATEC INTERNATIONAL, INC.,

Respondents.

On Conditional Cross-Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

SUPPLEMENTAL BRIEF OF CROSS-RESPONDENTS

JEFFREY I. KAPLAN
KAPLAN & GILMAN, LLP
900 Route 9 North
Woodbridge, New Jersey 07095
(732) 634-7634
Counsel for Jazz Photo Corp.

LARRY R. LAYCOCK
DAVID R. WRIGHT
L. DAVID GRIFFIN
WORKMAN, NYDEGGER & SEELEY
1000 Eagle Gate Tower
60 East South Temple
Salt Lake City, Utah 84111
(801) 533-9800
Counsel for Dynatec International, Inc.

CARTER G. PHILLIPS*
STEPHEN B. KINNAIRD
MICHAEL S. LEE
JULIE N. ZAMPA
SIDLEY AUSTIN BROWN & WOOD LLP
1501 K Street, N.W.
Washington, D.C. 20005
(202) 736-8000
Counsel for Respondents

PUBLIC VERSION

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* Counsel of Record

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SUPPLEMENTAL BRIEF OF CROSS-RESPONDENTS

Fuji Photo Film Company (Fuji) filed a conditional cross-petition that was docketed on March 19, 2002. Under Rule 12.6 of the Rules of this Court, "a response supporting the petition shall be filed within 20 days after the case is placed on the docket, and that time will not be extended." The purpose of this nonextendable deadline is to allow respondents opposing the petition to respond to any arguments of supporting respondents in their opposition brief. The International Trade Commission ("ITC") did not file its response in support of Fuji's conditional cross-petition on April 8, 2002, as required. Instead, after two extensions, the ITC filed a response on May 22, 2002, two days after cross-respondents' opposition was filed, thus denying cross-respondents the opportunity to respond to its arguments. On advice of the Office of the Clerk of this Court, cross-respondents are entitled to file a supplemental brief without motion pursuant to Rule 15.8 of the Rules of this Court. See Sup. Ct. R. 15.8 (permitting supplemental briefing on any "intervening matter not available at the time of the party's last filing").

By stating that the issue presented in Fuji's conditional cross petition is whether a product may be refurbished once it has "completed its function and been voluntarily destroyed," ITC Br. at (I), the ITC effectively acknowledges that Fuji seeks review of a mere factbound question about when a camera is spent. The ITC then confirms that its issue is not itself worthy of certiorari, rejecting Fuji's claim of a conflict of authority and stating that the issue presented relates merely to an application of settled law to the facts. *Id.* at 7; see Sup. Ct. R. 10. Moreover, the ITC does not contend that this ruling has any importance to anyone other than the parties subject to the proceedings below. In the end, the ITC seeks nothing more than vindication of its reversed ruling on repair.

The Federal Circuit decided this issue correctly, but in any event the ITC gives the Court no reason to grant certiorari on a question that would require it to delve into the factual details of the entire ITC record, and review agency factual findings in determining whether or not a camera is capable of repeated use, which particular parts are worn out, and what types of processes are used to manipulate the parts and replace the film, among other things. This Court should deny the conditional cross petition.

On the merits, it is the ITC that misapplies *Cotton-Tie Co.* v. *Simmons*, 106 U.S. 89 (1882), and ignores a plethora of subsequent precedent. *Cotton-Tie* does stand for the proposition that once the invention is "destroyed", *i.e.*, its "useful capacity" is spent, *id.* at 94; *Wilbur-Ellis Co.* v. *Kuther*, 377 U.S. 422, 424 (1964), refurbishing it amounts to reconstruction. *Cotton-Tie* does *not* stand for the proposition that a product is destroyed and spent whenever the first purchaser has discarded a product with remaining useful capacity because it no longer has any economic utility to him. Indeed, the case law ignored by the ITC makes clear that a product may be permissibly repaired after the first purchaser has completed use of that product and discarded it.

In *Cotton-Tie*, the invention comprised only a band and an attached buckle. The defendant had to remake the band from pieces of metal, and reattach a buckle. The defendant was truly making the patented combination, attaching or melding together every piece of the patented combination, and leaving no element recited in the patent claim untouched. See 106 U.S. at 93-95. Thus, this Court held that the defendant had "made" a product after the original was spent. The key holding of the Court in *Cotton-Tie* was that when the tie was initially severed at the mill, "[i]ts *capacity for use as a tie* was voluntarily destroyed." *Id.* at 94 (emphasis added). As this Court later commented in *Morgan Envelope Co.* v. *Albany Perforated Wrapping Paper Co.*, 152 U. S. 425 (1894), the basis of the infringement holding in *Cotton-Tie* was that the

severance of the tie was "as complete a destruction of it as would be the explosion of a patented torpedo." *Id.* at 434.

Here, by contrast the useful capacity of the camera is not destroyed when a photoprocessor opens the back of the camera to remove the film, as the Federal Circuit properly held. Pet. App. 16a-17a. Petitioners replace only film, battery and a paper label in a camera containing dozens of fully functional electrical and mechanical parts. Unlike Fuji, which erroneously presents this issue as a pure one of law, the ITC invites this Court to correct the application of law to the evidence developed in the administrative proceeding. Even if the Court were inclined to engage in such review, the record below is replete with evidence that the camera is not destroyed by photoprocessing. Aside from the evidence on physical condition and repair processes on which the Federal Circuit directly relied, Fuji itself (outside this litigation) has effectively acknowledged that its cameras are not spent or "destroyed" after their first use, but instead are capable of repeated use. Indeed, Fuji [

] (2) including statements in the very patent in this litigation indicating that one of the advantages of the invention was to permit easy reloading and reuse of the camera (A929, Col. 6); and (3) filing other patents on substantially identical cameras with easily removable backs, and stating in those patents that the purpose of allowing the back to be removed easily was to facilitate easy reloading and reuse (A1243-1276). Thus, unlike *Cotton-Tie*, Fuji's own conduct manifests a clear admission by the patent owner that the product can and should be reused repeatedly.

Thus, the predicate for the ITC's claim of error – that a camera is voluntarily destroyed when the consumer submits it for photoprocessing – is not supportable in the record or the

law. The Federal Circuit has already long rejected the notion that disassembly of a product constitutes voluntary destruction of a patented product. *Dana Corp.* v. *American Precision Co., Inc.*, 827 F.2d 755, 760 (Fed. Cir. 1987). Consequently, neither the consumer giving the product to the photoprocessor, nor the photoprocessor snapping open a small piece of plastic at the bottom thereof, "destroys" the product such that the combination "ceases to exist." Likewise, the fact that the typical consumer has chosen not to reuse the camera does not provide any evidence that the product is not perfectly capable of repeated use. *Id.* (holding that the economic decision of a consumer to replace rather than repair a product does not determine whether that product is actually "spent" or whether the product has useful life remaining). Indeed, there is a fiercely competitive market for the processed cameras, which far from being destroyed, are sold in bidding processes by major retail chains (which not only sell cameras but also perform photoprocessing services) for a substantial percentage of the price of the entire camera new. Unlike *Cotton-Tie*, the product is not destroyed after the first use, but rather, like the discarded truck clutches at issue in *Dana*, the cameras at issue here have useful life remaining, even if they must first be partially disassembled in order to facilitate the replacement of the film.

There are many products in every day use that are economically "used up" by their original purchasers and deemed not economically worth reusing but which are routinely refurbished and resold. These items have never been deemed "spent" by courts. Ink jet cartridges, for example, have never been deemed "spent" simply because the ink is used up and the original purchaser usually does not wish to refill the ink. *Hewlett-Packard Co.* v. *Repeat-O-Type Stencil Mfg. Corp.*, 123 F.3d 1445, 1451-52 (Fed. Cir. 1997) (citing *Mitchell* v. *Hawley*, 83 U.S. (16 Wall.) 544, 547 (1872)). Nor have auto transmissions been deemed destroyed simply because their first user has traded them in. These

products are typically collected by professionals, refurbished, and reused. These and similar recycled products play a critically important role in the national economy, often spurring entire industries and trade organizations of their own. Pet. 24.

The case law subsequent to *Cotton-Tie* is legion that a product intended for limited or single use, after being so used and discarded or traded in, may be collected, permissibly repaired, and sold to a third party. This is true as long as the defendant does not "make" a new article. *Hewlett-Packard*, 123 F.3d at 1451; *Dana Corp.*, 827 F.2d at 760 (first purchaser's decision to replace and not repair a product is irrelevant to the repair doctrine, which must focus on the physical characteristics of the product.); *Champion Spark Plug Co.* v. *Emener*, 16 F. Supp. 816, 821 (E.D. Mich. 1936) (collection of used spark plugs discarded by service stations after serving their recommended mileage may be permissibly repaired.); *TSC Indus., Inc.* v. *International Harvester Co.*, 406 F.2d 53 (7th Cir. 1968) (farm equipment sold for one season only and inoperable after being so used may be purchased for scrap value at the end of the season, refurbished, and sold for subsequent use.); *Wilbur-Ellis Co.* v. *Kuther*, 377 U.S. 422 (1964) (machines corroded away and discarded by their first purchaser may be refurbished and reused); *Micromatic Hone Court* v. *Mid-West Abrasive Co.*, 177 F.2d 934 (6th Cir. 1949) (Single use products that served their intended purpose and which are economically spent may nonetheless be repaired if they are physically capable of reuse without reconstruction.).

No court has ever held that a product is deemed spent simply because the first purchaser is through with it. Quite the contrary, courts have been strict in defending a refurbisher's right to repair and sell used products, and consistently have refused to allow the patent owner to eliminate the market for used products once that patent owner has already enjoyed the freedom from competition provided

by the patent for the patent owner's original sale. The only products that may not be so refurbished are those that are deemed spent – namely, those that require an entire "making" to be reused. No policy of patent law justifies allowing a patentee to either destroy a resale market or extract a second royalty on an article that has useful capacity still left, just because it is not the original consumer that has the expertise and economic incentive to repair the item. Try as it might to resurrect its erroneous ruling, the ITC cannot alter the fact that this case is different from *Cotton-Tie* in that the specific product and specific patent claims are drastically different. *Cotton-Tie* involved a product and a patent claim with two elements, both of which were being replaced; yet this case involves claims with numerous elements in a camera with dozens of parts, only three expendable ones of which are being replaced.

The question presented in the petition regarding foreign-sale exhaustion of patent rights is a pure and important question of law that universally applies to all patented goods in international circulation and on which there is a conflict of authority. The Court can resolve that critical issue without becoming enmeshed in the extensive administrative record below relevant to repair. Granting that question in no way suggests that this Court should engage in painstaking review of the Federal Circuit's (entirely correct) application of settled law to the evidence of record on the question of whether cameras are "destroyed" or "spent" and thus ineligible for repair.[1]

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[1] The ITC is correct that its orders remain in force, as modified by the Federal Circuit's ruling that there is a noninfringing methodology for reloading the cameras. ITC Br. 7 n.3. Petitioners conduct their businesses in compliance with the eight-step safe harbor for permissible repair, although they cannot import any repaired cameras first sold abroad because of the Federal Circuit's exhaustion ruling. The ITC mentions that "[t]o date, no importer has shown that its refurbishing procedures are limited to the common steps held to be permissible repair by the decision

CONCLUSION

The Court should deny the conditional cross petition.

Respectfully submitted,

JEFFREY I. KAPLAN
KAPLAN & GILMAN, LLP
900 Route 9 North
Woodbridge, New Jersey 07095
(732) 634-7634
Counsel for Jazz Photo Corp.

LARRY R. LAYCOCK
DAVID R. WRIGHT
L. DAVID GRIFFIN
WORKMAN, NYDEGGER & SEELEY
1000 Eagle Gate Tower
60 East South Temple
Salt Lake City, Utah 84111
(801) 533-9800
Counsel for Dynatec International, Inc.

CARTER G. PHILLIPS*
STEPHEN B. KINNAIRD
MICHAEL S. LEE
JULIE N. ZAMPA
SIDLEY AUSTIN BROWN & WOOD LLP
1501 K Street, N.W.
Washington, D.C. 20005
(202) 736-8000
Counsel for Respondents

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* Counsel of Record

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below." *Id.* Petitioners wish to clarify that those repair processes have yet to be adjudicated, and there is currently preliminary litigation before the ITC in which petitioners, the ITC staff, and Fuji take different positions as to the proper proceeding (enforcement or nonappealable advisory proceedings) in which such adjudication should take place. Those procedural disputes notwithstanding, the relevant point is that, contrary to Fuji's claims, the ITC confirms that, apart from the exhaustion issue, petitioners are not categorically prohibited on a going-forward basis from importing properly repaired cameras, and thus the Federal Circuit's ruling on exhaustion is not advisory.